

South Bay Cities Council of Governments

October 24, 2013

TO: SBCCOG Board of Directors

FROM: Steering Committee & City Managers' Group

SUBJECT: Reliability Issues re: the SCE Infrastructure in the South Bay

Background

The South Bay cities have experienced multiple power outages in the last few years. These outages have not only been frustrating and inconvenient, but costly and detrimental to the economy of the cities.

A discussion on what the cities might do about this has been taking place on and off since last October by both board members and city managers. The SBCCOG staff provided a speaker to the January City Managers' monthly meeting who presented his understanding of the issue and how we might work together to develop a plan to address this issue. No further action was taken until the outages became more disruptive in recent months.

At the request of the Hermosa Beach City Manager in August, I contacted the speaker that we had heard from and asked him for a formal proposal for how the SBCCOG could assist the cities in collaborating to understand and demand timely action on this issue. The proposal is attached which includes a scope of work for \$25,000.

In the interim, Assemblyman Al Muratsuchi arranged a meeting on October 11 for South Bay city officials to meet with California Public Utilities Commission (CPUC) President Michael Peevey. Those in attendance were: Manhattan Beach Mayor Lesser and Rancho Palos Verdes Mayor Brooks, Hermosa Beach Councilman Tucker, Hermosa Beach Tom Bakaly, Torrance staff members Brian Sunshine and Rob Beste, Rancho Palos Verdes staff member Kit Fox, Jacki Bacharach for the SBCCOG and the Assemblyman and his staff member Timothy Lippman. President Peevey included via video conference the CPUC Executive Director Paul Clanon and two key staff members.

The meeting exceeded our expectations. President Peevey was extremely interested in helping us and directed his staff to get more information and then set up a meeting for us all to meet with an executive at SCE to get some answers. He committed to setting up the meeting in the next month and possibly to have quarterly meetings to hold SCE accountable. SBCCOG staff will be working with PUC staff and Assemblyman Muratsuchi's staff to keep all parties informed.

A report of this meeting and the proposal that the SBCCOG received were presented at the Steering Committee and at the City Managers' meetings. Because time is of the essence for the South Bay cities to have data on their outages documented, the city managers present at the meeting agreed that they could pay \$2700 each to cover the cost of the consultant's work, and if enough cities signed on, to cover administrative costs that the SBCCOG will be incurring for

administering the contract and coordinating with cities. Assuming that not all of our cities will be interested or able to pay the assessment, staff is recommending that we not proceed until sufficient funds have been pledged or received.

RECOMMENDATION

Approve a contract with Skipping Stone consultants for a report on South Bay power outages, issues and maintenance status at a cost not to exceed \$25,000. The contract will not be executed until SBCCOG has been notified by at least 10 cities that they will pay \$2700 toward this effort.

**Work Order #1:
South Bay Cities Council of Governments
Power Outages, Issues & SCE Maintenance Status Report
September 27, 2013**

To that certain Consulting Services Agreement dated October 1, 2013 ("the Agreement"), by and between South Bay Cities Council of Governments ("Client" or "SBCCOG"), and Skipping Stone LLC. ("Consultant" or "SS") this Work Order #1 ("Work Order #1" or "WO#1") shall be attached to and become a part of the Agreement upon execution (including execution by e-mail acknowledgement, execution in counterpart, or facsimile execution) by the respective identified representatives.

Introduction

SBCCOG has experienced several significant power outages and have ongoing power infrastructure and maintenance issues with SCE. This has resulted in less than satisfactory performance and has caused business owners and residences a myriad of problems.

To date SCE has not provided SBCCOG with an action plan to address the power quality and infrastructure issues. To better prepare for a more directed dialogue with SCE and to determine potential action plans, SBCCOG desires a status report on power outages, issues and maintenance plans.

Methodology & Scope of Work

Consultant will prepare a power outages, issues and maintenance status report for SBCCOG. To prepare this report, Consultant will:

- Develop an information gathering template for use in interviewing key stakeholders from each SBCCOG City.
- Meet with key stakeholders to gather information regarding issues, problems, communications with SCE and corrective actions promised or taken (if any).
- Gather information from SCE records on both planned and unplanned power outages experienced in the SBCCOG service territory. Such information to include, outage dates, location, reason, corrective action taken and any outage impact information available.
- Gather information from SCE on maintenance plans and infrastructure upgrade plans impacting SBCCOG cities.
- Review SCE PUC filings on maintenance, infrastructure plans and capital projects and provide a general overview including any specific SCE plans impacting the SBCCOG service territory.
- Prepare a status report inclusive of the information gathered above and provide an assessment of current status and potential for improvements or potential for ongoing issues and outages.
 - The report will also include an outline of potential action plans SBCCOG might consider to address its power issues and needs.
- Prepare and present a summary presentation of the status report, including potential action plans, to SBCCOG leadership and key stakeholders.

Resources

Consultant will assign Peter Weigand as the engagement leader and Kathleen Herman will perform a majority of the Scope of Work. See attached resource bios.

Fee & Timing

A fixed fee of \$25,000, inclusive of travel expenses. Upon approval of this Work Order #1, this engagement will be completed within 90 days.

Budget, Terms and Expenses

1. An Initial Payment of \$12,500 shall be due upon signing of this Work Order #1. Such Initial Payment by Client must be received by Consultant prior to work commencing under this Work Order #1. The balance of payment shall be due upon submitting the final report and presenting the results.
2. Client shall provide Consultant with required Client-side accounts payable information, including any Client-required P.O. number and accounts payable contact information necessary to process Consultant's invoices promptly.
3. Interest on invoiced amounts unpaid longer than 30 days shall accrue at a rate of 1.5%/mo.
4. Additional projects and/or expanded scope will appear on subsequent work order(s).
5. Resource Availability- Consultant resource(s) provided or named hereunder are subject to change. Should replacement resource(s) be required, Consultant shall provide such replacement resource(s) of substantially similar skill level.
6. All other terms and conditions are per the Consulting Services Agreement (CSA).

Acceptance

This Work Order #1 is made a part of the Consulting Services Agreement between the parties. Changes in provisions specific to this Work Order are applicable to this Work Order only and do not alter or change the provisions of other Work Orders or the general terms and conditions of the Consulting Services Agreement.

Client

Consultant

 Jacki Bacharach
 Executive Director
 South Bay Cities Council
 Of Governments

 Greg Lander
 President
 Skipping Stone, LLC

Date: _____

Date: _____

Resource Bios

Peter Weigand, Chairman & CEO

Peter Weigand, Chairman, CEO and founder of Skipping Stone, has over 30 years of energy industry experience. Previously Peter has been CEO or COO of 4 energy and energy technology companies, has taken a company public, bought and sold over 12 companies, performed turn around and crisis management both domestically and internationally, managed triple digit growth, and has been a member of 6 boards of directors. His companies have been named to the Inc. 500 three times and have launched many new energy services and technologies globally.

As Chairman and CEO of Skipping Stone he has built one of the leading energy strategy and market consulting firms based on a unique network model that deploys consultants with direct industry experience. The firm's consultants have worked with over 250 clients across the energy industry, including natural gas and power markets, demand response, clean energy technology, and renewable energy.

Peter has been named Entrepreneur of the Year by Ernst & Young, one of the Top 50 Most Influential People in Energy by Pennwell and has written 3 books on energy topics.

Kathleen Herman, Senior Consultant

Kathleen Herman has over 30 years of energy and utility experience, primarily with Southern California Edison. Prior to joining Skipping Stone, Kathleen was a senior executive with SCE and managed a variety of departments, including director of the major accounts group, senior manager of product and services development teams and senior manager of enterprise resource planning.

She also was responsible for the design and implementation of SCE's grid outage management systems, infrastructure planning, customer technology application center, product lifecycle management and is a certified generation plant operator.



CONSULTING SERVICES AGREEMENT

This Consulting Services Agreement ("CSA") is between South Bay Cities Council of Governments ("Client") and Skipping Stone, LLC., a Delaware Limited Liability Company ("Consultant"), referred to collectively as "Parties" and is dated effective as of October 1, 2013 (the "Effective Date").

WHEREAS, Client desires to retain the professional services of Consultant; and Consultant is willing to provide such services to client as requested.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, the Parties agree as follows:

Engagement

Client, hereby retains Consultant, and Consultant agrees to provide consulting services to Client. The engagement includes, but is not limited to, assisting Client with strategic evaluation and assessment of potential transactions and projects as approved from time to time by Client. Unless otherwise agreed to in writing by Client, all consulting services provided by Consultant hereunder shall be pursuant to Work Orders executed by Client and Consultant.

Term

This CSA shall be effective from October 1, 2013, through September 30, 2014, and from year to year thereafter, unless earlier terminated by either party with 30 days written notice. Upon termination or expiration of this CSA, if and to the extent requested by Client, Consultant shall cooperate with Client and continue to provide such services hereunder to Client (at the rates of compensation then in effect) as may be reasonably required for an orderly and efficient transfer of Consultant's work and Work Product (as defined below) to Client or as designated by Client.

Compensation and Expenses

Consultant shall be compensated for services and reimbursed for expenses as follows:

1. All services hereunder shall be on a per project or hourly quote basis in accordance with the rates set forth on Exhibit A, subject to pre-approval by Client as Work Orders or Special Project Proposal(s). To the extent there is an executed Work Order or Special Project Proposal in existence from time to time, such Work Order or Special Project Proposal would be attached hereto and made a part hereof.
2. A 5% overhead surcharge shall be added to the consulting fees to provide coverage for telephone, postage, office supplies, and other administrative related minor expenses. No separate invoice for these items will be submitted.
3. Reasonable and necessary travel related expenditures, and project specific purchases shall be billed at cost, subject to pre-approval by Client. For international travel, Consultant shall use business class seating.

Payment Terms

Unless specifically agreed otherwise in a Special Project or Work Order, Consultant shall present an invoice to Client on completion of the services contemplated in the Work Order; provided however, in the event services provided under any Work Order which Work Order has a duration greater than 30 (thirty) calendar days will be invoiced on or about the third business day following the end of each month during the term of the Work Order. The presentation is intended to provide Client the opportunity to ask questions and seek clarification and approval of the invoice. Absent specific payment or pre-payment terms in a Special Project Proposal or Work Order, Client shall pay such invoice, by wire transfer, within 30 days of the date of the invoice. The invoice shall include hours worked, a detailed description of tasks performed, by individual Consultant, and a breakdown of expenses. Upon request, Client will be provided copies of applicable receipts for all expenses in excess of \$25.00.

Ownership of Work Product

Consultant agrees that all Work Product created by Consultant and its employees and subcontractors arising from work performed hereunder shall be the exclusive property of Client and as such shall be deemed "work made for hire". Consultant and its employees and subcontractors agree to execute any assignments or other similar documents which Client may reasonably request to effect the foregoing with respect to the Work Product. "Work Product" means all documentation, reports, studies, manuals, and information created on behalf of Client hereunder. Client and Consultant agree that Know-How created or employed by Consultant and its employees and subcontractors previously existing or arising from work performed hereunder shall be the non-exclusive, non-transferable property of Client. Consultant and its employees and subcontractors agree to execute any assignments or other similar documents which Client may reasonably request to effect the foregoing with respect to the Know-How. "Know-How" means methodology and models used in the creation for Client hereunder of documentation, reports, studies, manuals, and information.

Independent Contractor

Consultant will perform services under this CSA as an independent contractor, and shall not act as, nor be deemed an agent or employee of Client. Nothing in this CSA or in the supervision of services shall be construed in such a manner as to sever the independent contractor relationship.

Consultant has no authority to assume or create any commitment or obligation on behalf of Client or bind Client in any respect whatsoever, and will not be considered an employee of Client for purposes of income tax liability, benefits, or any other purpose.

Confidentiality

Consultant will not disclose, to any third party, confidential information received from Client, such as trade secrets, customer lists, marketing studies, strategies, and other confidential information not generally known in the industry or to the public. Nor will Consultant disclose to any persons or entities any proprietary reports or recommendations it makes to Client.

Consistent with the provisions of this CSA, Consultant is permitted to identify Client as a client of Skipping Stone, however, Consultant will not disclose to any person the fact that Client has engaged Consultant for a specific project, nor that discussions are taking place concerning any specific transaction(s) for which Consultant has been engaged, nor the status thereof. Consultant acknowledges that Client may enter into one or more Confidentiality Agreements with third parties and Consultant agrees to be bound by same, to the extent such agreements are reasonable and customary.

Consultant agrees to be responsible for any breach of this CSA and any third party Confidentiality Agreement to which it agrees to be bound, and to take all reasonable measures to prevent the unauthorized disclosure of any confidential material received in connection with this CSA. Consultant further agrees to indemnify and hold harmless Client from any losses, damages, claims or liabilities arising from or relating to such breach. It is agreed that money damages may not be a sufficient remedy for any such breach and that Client may be entitled, in appropriate circumstances, to specific performance and injunctive relief as remedies for any such breach. These remedies shall not be deemed to be the exclusive remedies for the breach of this CSA, but shall be in addition to all other remedies at law or in equity available to Client.

The obligations of this paragraph shall survive the termination of this CSA for the longer of (a) a period of one (1) year after such termination or (b) the termination of any third party Confidentiality Agreement to which Consultant has agreed to be bound.

Other Agreements

Consultant represents and warrants that Consultant is not a party to any other existing agreement that would prevent Consultant from entering into this CSA or adversely affect Consultant's ability to perform the services under this CSA.

Gratuities

Consultant represents and warrants that Consultant has neither paid, agreed to pay, nor will pay, any sums, or any other considerations, to any director, officer, manager, employee, agent or other representative of Client in

connection with this CSA. Nor has any such payment or agreement for payment been requested or solicited by any such person.

Applicable Law

The provisions of this CSA shall be governed by the laws of the State of New York, without respect to conflicts of law principles.

Assignment

This CSA shall not be assigned by either party hereto, except that either party may assign its rights hereunder to any successor in interest of the party, whether by merger, consolidation, corporate reorganization, purchase of assets or otherwise.

Entire Agreement

This CSA contains the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes all previous communications, negotiations and agreements, whether oral or written, between the parties with respect to such subject matter.

No addition to, or modification of, this CSA shall be binding on either party unless made in writing and executed by officers of the Consultant and Client.

Notices

All notices or other communications required under this CSA shall be made in writing, in person or by mail, facsimile, overnight courier or email (followed by hard copy delivery) directed to:

<p><u>Consultant</u></p> <p>_____ Skipping Stone, LLC 83 Pine St – Suite 101 West Peabody, MA, 01960 Attn: <u>Greg Lander</u></p>	<p><u>Client</u></p> <p>_____ South Bay Cities Council of Governments 20285 S. Western Ave., #100 Torrance, CA 90501 Attn: <u>Jacki Bacharach</u></p>
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IN WITNESS WHEREOF, the parties hereto have executed or caused to be executed this CSA as of the date set forth below but effective as of the Effective Date.

CONSULTANT

By: _____
 Greg Lander, President
 Skipping Stone, LLC

Date: _____

CLIENT

By: _____
 Dan Medina, Chair
 South Bay Cities Council of Governments

Date: _____

Exhibit A

Hourly Consulting Fee Schedule

<u>Consulting</u>	<u>Standard</u>	<u>Relationship</u>
	US Dollars (\$)	Rates
		US Dollars (\$)
Partner	500	375
Principal	450	335
Senior Consultant	350	275
Senior Project Manager	350	275
Project Manager	300	225
Consultant	300	225
Project Coordinator	225	175
Analyst	225	175
Research Specialist	175	140
Administrative Support	125	100

Revised 1-01-13