



- **Board of Directors**
Engineering, Operations, and Technology Committee

7/8/2025 Board Meeting

7-4

Subject

Authorize a new on-call five-year professional services agreement with ProcureAmerica, LLC, for a not-to-exceed total amount of \$1.25 million for retail electric utility rate analysis and reduction; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan's operations over its six-county service area are supported by over 400 commercial retail electric accounts provided by a multitude of investor-owned and municipal utilities. Optimizing the rate structure for each of these accounts has the potential to significantly reduce Metropolitan's electric retail costs on a yearly basis. This agreement will allow ProcureAmerica, LLC, a subject matter expert in Southern California electric retail rates, to perform rate and usage analysis and recommend rate changes to reduce costs. ProcureAmerica will be compensated based on a percentage of the estimated savings, with a maximum total compensation not to exceed \$1.25 million. This professional services agreement will be for five years.

See **Attachment 1** for the Expense Reduction and Recovery Services Program Summary.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize a new on-call five-year professional services agreement with ProcureAmerica, LLC, for a not-to-exceed total amount of \$1.25 million for retail electric utility rate analysis and reduction.

Fiscal Impact: No immediate fiscal impact, potential to reduce retail electric costs going forward.

Business Analysis: Approving the proposed agreement allows Metropolitan to have electric retail usage and rate analysis performed at no out-of-pocket cost, with the potential to reduce electric retail costs going forward.

Option #2

Do not authorize the professional services agreement at this time.

Fiscal Impact: No immediate fiscal impact

Business Analysis: Under this option, Metropolitan staff would perform the energy-related planning activities as time and staffing resources allow or would request board authorization for agreements on a project-specific basis. Given current staffing constraints, it is unlikely this analysis could be done at any time in the near future, if at all. This option would forego an opportunity to have this analysis done quickly for no up-front cost and delay any potential cost savings.

Alternatives Considered

Staff has recognized an opportunity to perform electric retail rate analysis and identify potential cost savings for some time; however, staffing constraints and a lack of detailed knowledge of the myriad available rates and their nuances has prevented any significant analysis from being performed internally. Staff has also considered retaining an independent consultant to perform this analysis; however, such expertise can be difficult to find, retain, and compensation generally is required up front.

Applicable Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

None

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a).) In addition, the proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required.

Details and Background

Background

Metropolitan uses over 400 commercial retail electric accounts to support its operations across the six-county service territory. These electric accounts serve the five water treatment plants, the Union Station headquarters building, and a wide variety of other Metropolitan installations. These accounts are serviced by a myriad of investor-owned and municipal utilities, such as Southern California Edison, the Los Angeles Department of Water and Power, the City of Riverside Utilities, etcetera. Although the energy needs of the Colorado River Aqueduct and the State Water Project represent the lion's share of Metropolitan's electric energy costs, retail electric costs are still significant, totaling up to approximately \$15 million annually.

The retail rate for each of these commercial accounts is set by various regulatory bodies, including the California Public Utility Commission, the City of Los Angeles, and other public and private entities. These rates can vary considerably in terms of their cost impact, depending on the structure of the rate, the pattern of energy consumption at each location, and so forth. Staff has recognized for a considerable time that there may be a benefit to optimizing the rate structure for each commercial account by analyzing the terms of the rate, historical and forecasted usage patterns, and other financial and operational inputs. For example, rates that include a demand charge based on the peak demand for a given account may not be optimal if the demand shape is such that a brief high demand sets a high energy rate for the entire billing period. However, staffing constraints, a lack of internal expertise, and the complex and constantly changing nature of the retail rate landscape has made it difficult for staff to perform any sustained effort on this issue.

ProcureAmerica, LLC, (ProcureAmerica) is a business intelligence firm supporting private and public sector organizations with Enterprise Strategic Plans (ESP) specifically designed to deliver expense reduction and operational efficiency. They are a subject matter expert in electric retail rates, specifically in Southern California,

with experience in performing retail rate analysis for the purpose of optimizing rate structures and reducing costs. ProcureAmerica has a Cooperative Agreement (RCA 017-21010578) with the California State Association of Counties (CSAC) and has a current agreement with Metropolitan providing expense reduction and recovery services for telecommunications costs, focused on the voice, data and mobile communications expenses across all locations and delivering approximately \$1,000,000 in annual savings.

Agreement for Utility Tariff Rate Optimization Study (TROS)

ProcureAmerica's TROS's primary focus is to identify alternative, more favorable tariff options, tax and surcharge exemptions, and other expense mitigation strategies. The principal foundation of the TROS work product is a review of applicable California Public Utilities Commission regulations, rulings, and interpretations. The TROS identifies and models the most beneficial tariff rate available on a meter-by-meter basis, along with taxes, transmission/distribution fees, surcharges, and other levies.

This study is rate and regulatory based and does not explore nor recommend any modifications with a client's operational practices, internal cost and usage reduction efforts as it pertains to conservation, technology, operational, or behavioral components of their sustainability programs. Conversely, a utility TROS could be expected to be complimentary to any typical conservation efforts and initiatives. Metropolitan would be under no obligation to implement any TROS recommendations and may elect to implement all, some, or none.

Compensation under the TROS agreement would be equivalent to 30 percent of the calculated savings of any implemented TROS recommendations, with the total compensation not to exceed \$1.25 million over the five-year agreement.

See **Attachment 1**, Expense Reduction and Recovery Services Program Summary, for additional details of the TROS approach and agreement.

15378(b)(4) Government Funding Mechanisms and Other Fiscal Activities

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).



6/18/2025

Keith Nobriga
Group Manager, Integrated Operations
Planning & Support Services

Date



6/18/2025

John Bednarski
Assistant General Manager

Date

Attachment 1 – Expense Reduction and Recovery Services Program Summary

Ref# wso12709160

Expense Reduction and Recovery Services

Utilities

(Electricity and Natural Gas)

PROGRAM SUMMARY



Prepared by:



PROCUREAMERICA
BUSINESS INTELLIGENCE SERVICES

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COMPANY OVERVIEW

ProcureAmerica is the Country's leading business intelligence firm supporting private and public sector organizations with Enterprise Strategic Plans (ESP) specifically designed to deliver expense reduction and operational efficiency. With over 5 billion dollars of client expenses under management, our expertise and track record are second to none in this space. Each of the firm's 6 practice groups: Utilities, Telecommunications, Waste Services, Print Management, Technology Optimization and Treasury is staffed with highly experienced professionals who come directly from the industry in which they practice and deliver insight, innovation and intelligence that deliver results.

ProcureAmerica provides state and local government agencies with strategic expense reduction services on a pure contingency basis – waiving all base audit fees. Through a partnership with California State Association of Counties (CSAC), a Cooperative Agreement – RCA 017-21010578 – is in place as a possible procurement vehicle for this project. The project is 100% self-funding and will deliver operational efficiency, fiscal transparency and expense reduction.

ProcureAmerica is currently under contract with The Metropolitan Water District of Southern California, providing expense reduction and recovery services for the district's telecommunications costs. This project was focused on the district's voice, data and mobile communications expenses across all locations, and is delivering approximately \$1,000,000 in annual savings.

OBJECTIVE



Utilities (Electricity & Natural Gas)

The district wishes to engage ProcureAmerica to conduct a Utility Tariff Rate Optimization Study on their Southern California Edison, Southern California Gas, Los Angeles Department of Water & Power and Riverside Public Utility accounts. The Utility Division is very specialized in that their scope of work focuses exclusively on utility tariff rates, transmission fees and tax structures as mandated by the California Public Utility Commission (CPUC) and other oversight authorities. Our firm does not operate within the utility conservation space (behavioral, technology, operations, etc.) and concentrates solely on Tariff Rate Optimization Studies (TROS).

The Utility Tariff Rate Optimization Study (TROS®) is primarily comprised of a legal review of tariff rates, transmission fees and surcharge structures. The study also includes a forensic legal review of the local governing body's rulings, interpretations, and regulations, as it applies to commercial tariff rate assignments and how the providers are applying said rates structures to the organization. Further, our firm has deep experience in municipal tax code applications and apply this expertise to our client's North American Industry Classification System (NAICS) designations in search of exemptions and cost mitigation opportunities through individual meter rate modeling and other measures.

ENTERPRISE STRATEGIC PLAN (ESP)

Process:

1. **Gathering Historical Data** - ProcureAmerica will gather and organize historical billing information for all the district's utility accounts under review. Where data is not readily available, ProcureAmerica will dedicate staff to work with the client and service providers to gather the needed billing information. This process would require limited time (several hours) from client staff with the vast majority of the required information available directly through online access with the providers.
2. **Utility Tariff Rate Analysis** - ProcureAmerica analyzes the data accumulated in light of applicable tariffs, statutes, commission decisions and specific rate structures. All utility accounts are reviewed to determine whether they are being billed correctly, and whether they have been billed appropriately in the past. ProcureAmerica's analysis includes, but is not limited to, the investigation of billing calculations, inappropriate rate schedules, proper metering of services, optional rates, applicability of taxes and surcharges, baseline and lifeline allowance calculations, meter multipliers, and rules and regulations affecting billing. No on-site contact is required to conduct this analysis. Where the TROS review starts with the historical aspect of the district's expenses associated to tariff rate structures, the more significant and long-term value associated to the study stems from the alternative rates available to the client moving forward. In the rate modeling component of a TROS review, the analyst mathematically tests alternative tariff rates the client is entitled to, per PUC rules and regulations. These alternative tariffs are based on a myriad of qualifiers including various industry NAICS codes designations, specific usage rates, load profiles, technology, 15-minute interval data and other influencers. The go-forward cost reduction aspect of the rate modeling element of a TROS review has an extended shelf life that will continue for many years or decades into the future.
2. **Report Submission** - The ESP report will summarize the results of the cost review. The report will contain an explanation of legal grounds for all refunds and expense reduction opportunities identified for each account and service provider; including calculations of the estimated savings and refunds expected to be achieved.
3. **ESP Implementation of Changes/Recovery of Refunds** - ProcureAmerica takes all necessary steps to implement the district's approved recommended rate or operational changes and collect refunds for past billing errors. This work includes the submission of all necessary work orders and documentation supporting ProcureAmerica's requests for rate improvements, plan changes and service disconnects. No involvement is required from district staff other than in an advisory capacity and for final approval.
4. **Compensation** – ProcureAmerica's compensation proposal to Metropolitan Water District is a shared-in-savings Program and comes to the district with no obligation to move forward on any recommendations documented in the ESP - results report
 - a. Refunds or Credits – One-time credits or refunds (identified and recovered through ProcureAmerica's analysis) ProcureAmerica's shared savings would be 30% of the amount refunded or credited to the district.

- b. ESP – Go forward savings: For ongoing cost reduction strategies outlined in the ESP (IE alternative rate improvements, exemptions, calculations, programs...), should the district elect to pursue the specific ESP report recommendations, the go forward savings would be 30% of the actual savings that accrue during the 60-month contract term.

As noted, the district retains complete autonomy in pursuing part, none, or all the review findings under this program.