



DATE: June 2, 2025

TO: Mayor and Members of the City Council

VIA: Stefan Chatwin, City Manager
Marlene Subhashini, Assistant City Manager

FROM: Derek Schweigart, Parks and Recreation Director
Justin Lai, Senior Civil Engineer

SUBJECT: AGREEMENT WITH PACIFIC GAS AND ELECTRIC FOR PERMANENT
POWER FOR THE RECREATION CENTER REBUILD PROJECT (CIP
301-678)

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution authorizing the City Manager to execute the attached agreement with Pacific Gas and Electric (PG&E) in the amount of \$88,633.15 (Option #2) for the construction of the permanent power for the Recreation Center Rebuild Project (CIP 301-678) (Project).

EXECUTIVE SUMMARY

A construction agreement was executed with BHM Construction LLC. (BHM) for the Project with construction starting at the end of 2024. The future building will require the installation of new facilities from PG&E for permanent power. The Project team has developed a plan to bring permanent power to the site, however for PG&E to perform the work, the City needs to execute the attached agreement with the staff recommended associated cost of \$88,633.15.

BACKGROUND

Beginning in 2019, the Project has been a priority for the City with a budget of approximately \$55 million dollars. Group 4 Architecture, Research + Planning, Inc. (Group 4) was hired to design the building, and Griffin Structures (Griffin) was hired as the construction manager.

On June 3, 2024, the City Council adopted City Resolution No. 2024-60 approving the plans and specifications for CIP 301-678 and authorizing the call for bids.

On September 3, 2024, the City Council adopted City Resolution No. 2024-92, awarding a construction contract to BHM for a total contract amount of \$44,626,000.

Prior to the building demolition, all power to the site was disconnected.

ANALYSIS

BHM is well into construction on the Project. BHM, Group 4 and Griffin developed a permanent power plan for the new building and surrounding components. Coordination with PG&E is required to provide the necessary facilities to bring permanent power to the site. PG&E has reviewed the plans and provided the attached agreement (Attachment 2) which includes their costs to perform the work to bring permanent power to the site and sets forth the payment plan for PG&E's future billings.

Attachment 2 includes four (4) different payment options. Since the future building will be an all-electric building, the City is only considering the first two options. The remaining options only apply to buildings with gas service.

Option #1 - "10-Years Refundable Advance Option Gas and Electric"

This option requires the City to pay the full project cost of \$177,949.28 upfront. Every year PG&E reviews the City's usage and compares it to the City's "allowance" amount. If the City is above the allowance amount PG&E will send the City a refund for the amount above its allowance, up to the total refundable contract amount (\$177,949.28). However, if the City's usage is below the "allowance" amount, PG&E will send the City a deficiency bill requesting payment for the amount the City fell under the allowance.

- Pros: If the City's power usage is regularly above the allowance amount, it could eventually receive up to \$177,949.28 in refunds automatically for the first three (3) years. The City is eligible for refunds in years 4-10 if it requests reviews from PG&E annually.
- Cons: The City must pay the full project cost up front. If the City's power usage is regularly below the allowance, it will have to pay the difference every year (deficiency bill) even if its usage is low, reducing incentives to conserve energy. It is the City's responsibility in years 4-10 to request a review to be considered for future refunds, it is not automatic.

Option #2 - "Non-Refundable 50 Percent Discount for Gas and Electric"

This option allows the City to take the upfront discount and pay 50 percent of the total project costs, which are \$88,633.15. Under this option, PG&E reviews the City's usage in years 1 and 2, and sends a letter informing the City whether it is above or below its "allowance". In year 3, PG&E takes the City's average annual costs and compares it to the City's annual allowance. If the City's power usage meets or exceeds the allowance, then the review is done, and the 50 percent deferred payment has been covered by the

City's energy usage. However, if the City's average usage is below its allowance, then PG&E sends the City a bill for 50% of the shortfall from the allowance (deficiency bill).

- Pros: The City's upfront capital expenditure is 50% of total project costs. If a deficiency bill is triggered, the City only pays 50% of the deficiency. PG&E costs will likely increase over time. Even with conservation efforts, the City may exceed its allowance. This option caps the City's spending.
- Cons: The City gives up the potential refunds that could have been obtained through Option #1.

Staff performed an analysis comparing the recent annual energy usage from the Recreation Center, the anticipated usage calculated by the Design Team for the new building, and the annual allowance in amount of \$34,395.19 set by PG&E.

Staff recommend the second option as the most financially prudent option because it reduces up-front project costs by nearly \$90,000. Any potential refunds under the first option are unlikely to exceed the up-front savings¹. If the City's energy usage is below the annual allowance of \$34,395.19 after averaging the first three years' usage, the City would pay 50 percent of the deficiency.

CEQA

In July 2023, the City of Foster City, in accordance with the requirements of the California Environmental Quality Act ("CEQA"), the State CEQA Guidelines adopted by the Secretary of Resources, and the City of Foster City Environmental Review Guidelines, prepared an Initial Study and Mitigated Negative Declaration (SCH # 20231009) with Standards Conditions and Mitigation Monitoring and Reporting Program (SCAMMRP), and CEQA Findings (IS/MND) for the Recreation Center Rebuild Project.

On November 16, 2023, the City Planning Commission adopted the IS/MND and approved the Use Permit for the Project. Pursuant to Public Resources Code section 21166 and CEQA Guidelines section 15164(b), the City prepared an Addendum to the adopted Mitigated Negative Declaration for Council's consideration and approval. Only minor additions are being made to the Project by installing and removing three (3) modular classroom buildings and a restroom trailer on or near the existing tennis courts at Leo Ryan Park for the anticipated 22 months of construction. Additionally, none of the conditions described in CEQA Guidelines section 15162 are met as there are no substantial changes to the Project or new information of substantial importance. On February 20, 2024, the CEQA addendum was adopted to the IS/MND for the Recreation Center Rebuild Project.

¹ The previous Recreation Center's annual PG&E bill was approximately \$60,000. Due to the new building having solar panels, it is expected that the new annual bill will be approximately \$21,000, however this does not include the potential cost of electric vehicle charging.

FISCAL IMPACT

The Project (CIP 301-678) has an approved budget of \$61,034,770, which includes sufficient funding to pay for the fees and work performed by PG&E. These costs have been accounted for in the overall Project budget and were anticipated by the Project team.

CITY COUNCIL VISION, MISSION, AND VALUE/PRIORITY AREAS

Facilities and Infrastructure

ATTACHMENTS:

Attachment 1 – Resolution

Attachment 2 – PG&E Gas and Electric Extension Agreement