EnergyTrust of Oregon

Energy Trust Contracting and Delivery Models Evaluation

Conservation Advisory Council

April 18, 2007

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Energy Trust Contracting and Delivery Models Evaluation

- Interviews:
  - Q1 2007

- Evaluation Contractor: Research Into Action

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Goals of Presentation

- Share initial findings and recommendations
- Get feedback on this early draft
- Directions for refinement of report

Evaluation Goals

- Assess the contracting and delivery models currently in use, especially in regard to customer service, effective delivery and costs
- Review models employed by other regional and national organizations
- Obtain information needed to strengthen program delivery and improve customer satisfaction and communications and enable Energy Trust to achieve its goals

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How We Will Use This Report

- Framing discussion and direction on program design changes
- Developing next set of Program Management Contractor (PMC) request for proposals (RFPs)

Evaluation Methods

- Review of Energy Trust documents and evaluations
- Interviews with:

– Energy Trust Staff	18
– Program Management Contractors (PMCs)	5
– Program Delivery Contractors (PDCs)	5
– Trade Allies and Allied Technical Analysis Consultants (ATACs)	4
– Energy Trust stakeholders	5
– Utility stakeholders	2
– Other organizations	8
– Total	47

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Findings

- Energy Trust uses a variety of models PMC, mixed and internal.
- All of these models use third party contractors to some extent
- Program delivery contractors are usually selected using a competitive procurement process (e.g. RFP, RFQ)
- Programs are meeting their goals
- Programs are perceived by almost all the parties involved be working well to achieve these goals
- Competitive procurement process is viewed as a key element that ensures cost-efficiency

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Findings: Similar Organizations

- PMC model often used for residential programs
- Less use in C&I programs due to variety of factors
- Similar organizations will select delivery model according to market conditions, degree of control they wish to have, and policy considerations (e.g. cap on FTE)
- Contracting out to third parties is needed even with internally delivered programs
- Energy Trust management auditor PMC checklist was not particularly relevant to other organizations

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Findings: Similar Organizations

- Program delivery costs do not appear significantly different across model types
- Energy Trust compares favorably when analyzing costs of electricity savings
- Other organizations felt that the approach they used was most efficient
- Other organizations also used competitive procurement to keep costs down
- Communications is an issue with contractors in general (not just PMC model)

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Findings: Energy Trust PMC Model

- PMC process brings outside expertise that could not necessarily be acquired internally
- Competitive process keeps program delivery efficient
- Energy Trust PMC relationship more collaborative
- Very good at jump-starting programs
- Achieves savings goals
- Successful in working with trade allies
- Simplifies Energy Trust contracting process

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Findings: Energy Trust PMC Model

- Main Issues with PMC model were:
  - Communications
  - Coordination with other programs
  - PMC focus on contract goals
  - Aligning PMC and Energy Trust goals
  - Complying with Energy Trust requests
  - Cumbersome contracting process
  - Engaging customers and developing LT relationships
  - PMC has potential for perceived conflict of interests (e.g. maximizing profit, growing their own business)
- Similar issues identified by other organizations

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Energy Trust Program Delivery

- Energy Trust aware that being a lean organization important to the way it is perceived
- No staff consensus on efficiency of specific delivery models
- Internal program delivery perceived to address some issues associated with:
  - Aligning goals
  - Communications
  - Marketing
  - Data management
  - Developing long term relationships with trade allies and customers

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Findings: Program Experience

- Customers and trade allies reveal a moderate high level of satisfaction in most of the programs
- Energy Trust is viewed as becoming more bureaucratic over time by some
- Miscommunications about funds availability and project forecasts in 2005 and early 2006 still coloring many stakeholders perceptions
- PMC commitment to fostering customer relationships questioned
- PMCs and other trade allies encourage Energy Trust staff to get out more

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Conclusions

- Anticipated changes in the Oregon energy efficiency market do not require a major change in the way Energy Trust delivers its programs
- The main weakness of the PMC model is that it is applied the same way across all current programs and sectors
- The major benefit is that Energy Trust is perceived as administering public funds in an efficient and effective manner with minimal overhead.
- Competitive procurement is the key to the efficient program delivery not a specific delivery model; almost all delivery models appear to use third-party contractors
- Energy Trust would be more able to respond to market changes if it allowed the delivery model to be determined by market needs and not be driven by need to meet the perceptions of external stakeholders
- Any changes to delivery models should be based on in-depth market analysis

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Recommendations

- Energy Trust needs to communicate that competitive procurement is the key to cost effective program delivery and not a particular model
- Energy Trust needs to communicate that the most effective delivery model is determined by market conditions and not a single approach to program delivery
- Use PE as a case study of how to develop a different delivery model
- Before rebidding any program perform a detailed market assessment to determine if and how program delivery and design should change. Changes should be reflected in the new RFP.

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Implications

- Any change requires the continued dialogue with stakeholders (RAC, CAC, Board etc.) which may take considerable time
- Are there opportunities for the PMCs to do more competitive procurement?
- Consider if PMC approach meets our goal of competitive procurement

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Next Steps for this Evaluation

- Collect detailed feedback from staff and committee
- Revise report
- Discuss at Board retreat in June?

Questions??

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