EnergyTrust of Oregon, Inc.

Board Decision
Home Energy Solutions-Existing Homes Program Management Contract

October 3, 2007

Summary

Approve the basic terms of a three-year contract with Conservation Services Group, Inc. (CSG) to provide program management services for Energy Trust's Residential Home Energy Solutions - Existing Homes program.

Background

- The Home Energy Solutions - Existing Homes program (HES-EH) serves existing residential single family and multifamily units that are site-built or manufactured. The program provides financial incentives for high-efficiency equipment, energy efficiency improvements and weatherization installations. Training and development of a robust Trade Ally infrastructure to deliver and install measures to Energy Trust standards is important to this program.
- CSG is the current Program Management Contractor (PMC) for the program and has been since July 2005. A two-year contract was extended for 6 months to end December 31, 2007, thereby aligning the program term with the Energy Trust annual budget process.
- In spring, 2007, staff solicited bids for the next contract term. Four organizations submitted an intent to respond. Only CSG submitted a final proposal.
- A selection committee comprised of Energy Trust, Environmental Protection Agency and Eugene Water and Electric Board representatives reviewed the proposal, qualified CSG as a finalist, and held an interview. CSG scored well and was selected. The selection process is further explained in Appendix I.

Discussion

- The proposed contract spans a three-year period from January 2008 through December 2010, with an option to renew for an additional two years. Energy Trust contracts involving the expenditure of funds over more than a two-year period require notice to the OPUC unless the contract may be terminated concurrently with termination of the OPUC-Energy Trust grant agreement. This contract will be terminable at will, and so requires no notice to the OPUC.
- For purposes of preliminary negotiations, staff has assumed a first-year program budget of approximately $12,765,000. This includes a first-year contract cost of about $3,986,000, incentives of approximately $6,281,000 ($3,481,000 electric, $2,800,000 gas), and Energy Trust staffing and support expenses of $2,498,000. The actual budget and costs hinge on the final annual budget and action plan decisions to be made by the Energy Trust board in December of this year.
- The above amounts do not include any Renewable Energy Act (SB 838) funding.

- Energy Trust expects that work performed under this contract could save as much as 2.37 aMW (best case) at a cost of approximately $3.25 million per aMW and a levelized cost of $0.021 cents per kWh. Gas savings are expected to be as much as 808,961 therms (best case) at a cost of $6.26 per annual therm and a levelized cost per unit of $0.31 per therm. Actual savings, cost per kWh, annual therm and contract costs will be computed based upon the final adopted annual budget and action plan decisions made by the Energy Trust board in December of this year.
- As with other program managemetn contracts, actual amounts for each contract year will be negotiated annually based to be consistent with the board-adopted annual budget and action plan. In the first year of the proposed contract, Energy Trust staff would negotiate contract amounts consistent with the board approved 2008 budget and action plan. Each subsequent contract year, following board approval of a budget and action plan, Energy Trust staff and the PMC will negotiate contract amendments conforming to the next year's contract goals and board-approved budget and action plan. The resulting contract and contract amendments would be signed without further board action.
- The contract will refer to expected program incentive costs and does not include these costs in PMC contract payments. Program incentive amounts will also be provided and reviewed as part of the annual budgeting process and ensuing contract amendments.
- Staff will calculate the societal benefit/cost analysis on this program once measure savings are finalized. There is high confidence that the program will pass the benefit/cost test.

RESOLUTION #447

APPROVE BASIC TERMS OF A CONTRACT WITH CONSERVATION SERVICES GROUP TO MANAGE HOME ENERGY SOLUTIONS-EXISTING HOMES PROGRAM

WHEREAS:

1. **The current Energy Trust contract with its Home Energy Solutions program Program Management Contractor (PMC) terminates December 31, 2007.**
2. **With assistance from a selection committee including outside parties, staff has conducted a fair and open procurement process to select a contractor to manage the program for the next 3-5 years.**
3. **Conservation Services Group, Inc. ("CSG") has been selected through this process and proposed contract terms are in the process of being negotiated.**
4. **Staff has assumed a first-year budget of approximately $12,765,000 for this program, including a first-year delivery contract cost of approximately $3,986,000 and incentives of $6,281,000.**
5. **Savings could be as much as 2.37 aMW (best case) at a cost of approximately $3.25 million per aMW and a levelized cost of $0.021 cents per kWh. Gas savings could be as much as 808,961 therms (best case) at a cost of $6.26 per annual therm and a levelized cost per unit of $0.31 per therm.**

6. **The above numbers are based on assumptions. Actual savings and costs will be determined based upon the Energy Trust board-adopted annual budget and action plan decisions.**

It is therefore RESOLVED:

1. **Subject to later board review of cost/benefit ratios and projected savings numbers, the board authorizes a contract with CSG to manage the Home Energy Solutions - Existing Homes program from January 1, 2008, through December 31, 2010. If CSG meets certain established performance criteria in the final contract, the contract may be extended for up to an additional two years.**
2. **First-year contract costs and savings goals will be included in the contract consistent with the board-approved 2008 action plan and budget. Thereafter, the contract may be amended annually following board approval of subsequent annual action plans and budgets.**
3. **The executive director is authorized to sign an initial contract and any contract amendments consistent with this resolution and board-approved action plans and budgets.**
4. **To maximize program savings and benefits, staff may reallocate funds among categories within the program budget provided such reallocation is consistent with the board's annual budget and action plan decisions.**
5. **Prior to extending this contract beyond December 31, 2010, staff will report to the board on Conservation Services Group's progress and staff's recommendation whether to extend the contract for up to two years. See Appendix II for extension criteria. Contract terms for the extension period would remain as approved in the most recent action plans, budgets and contract at the time of the extension. Absent board objection to extending the contract, the executive director is authorized to sign the contract extension.**

Moved by: Seconded by:

Vote: In favor: Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]

APPENDIX I

Energy Trust of Oregon Program Management Contractor Selection

October 3, 2007

Energy Trust of Oregon follows a comprehensive competitive Request-for-Proposal (RFP) process.

Four organizations submitted intent to respond forms for the program RFP, but only one submitted a proposal: Conservation Services Group (CSG). The process was led by an RFP review team consisting of five individuals -- three Energy Trust representatives, one member from the Environmental Protection Agency (EPA) and one member from the Eugene Water and Electric Board (EWEB). In addition, a representative from the Energy Trust's marketing and legal/ finance departments reviewed the proposal and participated in the interview. The review team considered, evaluated and numerically scored the proposal on three overall major factors:

1. Proposal strength (40%) – including such factors as ability to achieve a minimum of 11,000 MWh (1.25 aMW) of electric savings and 700,000 therms annually; expanding program offerings; marketing outreach approach; and quality control.
2. Management strength (30%) – Including such factors as proposed management, program design, implementation and operations team members; coordination with existing programs; marketing and outreach; incentive processing; customer service; and technical knowledge.
3. Price proposal (30%) – Including overall budget; total program management and staffing costs; incentive amounts; budget management; and overall specificity and measurability of costs compared to tasks.

Based on this review CSG became a finalist. The review team conducted an extensive 2-hour interview with CSG on August 29, 2006. CSG presented and scored well, with an overall score of 3.79 out of a total of 5. CSG was unanimously selected to become the program management contractor, pending approval of contract by the Board of Directors.

Distinguishing Characteristics of CSG's Proposal

1. Overall clarity and responsiveness to RFP requirements
2. Strong understanding of market drivers and program components
3. Strong quality control proposal
4. Innovative and creative marketing approaches
5. Strong desire to incorporate solar
6. Strong budget management
7. Strong analysis and planning capabilities
8. Collaborative approach to extending program via community partners
9. Strong customer service
10. Superior approach to evolving program offerings
11. Extensive team competency and technical building science experience designing, implementing and managing comprehensive programs
12. Amount of FTE funded with in budget parameters

Conservation Services Group (CSG) is a private non-profit corporation with twenty-three years of experience in bringing synergy to energy efficiency and renewable energy solutions. They have extensive experience delivering conservation programs across the nation with innovative approaches to energy and resource efficiency. CSG has expertise in managing, administrating, marketing, and research pertaining to clean energy markets and conservation.

APPENDIX II

Energy Trust of Oregon Program Management Contractor – Contract Extension Metrics

October 3, 2007

Contract Extension Metrics

1. Cross program referrals
    a. Problems don't arise
    b. Appreciable savings being realized in referred programs
    c. Procedure for working well with other programs that will facilitate smooth referral process
2. Project pipeline
    a. Based on goals and available funding, balancing next year's savings and budget targets
3. Innovation
    a. Adding new measures
    b. Adjusting/reducing incentive levels
    c. New delivery approaches (reaching focused market sectors and/or customers)
4. Teamwork
    a. How well PMC staff works with ETO staff (flexibility and responsiveness)
5. Satisfactory execution of SOW deliverables
    a. Program savings
    b. Levelized cost goals
    c. Budget management
    d. Data management
    e. Customer services
    f. Marketing
    g. Quality control