EnergyTrust of Oregon, Inc.

Board Decision Authorizing Contract with PECI to Manage Business Energy Solutions-New Buildings Program

September 3, 2008

Summary

Approve the basic terms of a three-year contract with Portland Energy Conservation, Inc. (PECI) to provide program management services for Energy Trust's Business Energy Solutions – New Buildings program, renewable for up to two years.

Background

- The Business Energy Solutions - New Buildings program serves commercial new construction, major renovations and additions. The program offers financial incentives for high-efficiency electric and gas equipment, energy modeling and design assistance.
- Science Applications International Corporation (SAIC) is the current program management contractor and has been since the program's inception. The contract with SAIC expires at the end of December 2008.
- In June 2008, Energy Trust staff competitively re-bid the program by issuing a request for proposals for a Program Management Contractor (PMC) to work collaboratively with Energy Trust on redesign strategies for the established program.
- Energy Trust received seven notices of intent to respond, and two actual proposals.
- A review team comprised of Energy Trust, Cascadia Green Building Council and Northwest Energy Efficiency Alliance representatives reviewed the proposals and qualified both respondents as finalists. Interviews were held on Friday, August 8th. The review team selected PECI based on the strength of its proposal and interview. The selection process is further explained in Appendix 1.

Discussion

- In order to transition program activities to PECI and maintain seamless program service for the market, staff plans to enter into a 3-month transition agreement with PECI by the beginning of October 2008. This contract does not require board approval because it will be for less than $500,000, and will be paid from the 2008 budget. No savings will flow from the transition contract, and it will allow a twelve-week overlap between PECI and SAIC.

- For the longer term, staff proposes a PMC contract with PECI spanning three years, from January 2009, through December 2011, with an option to renew for an additional two years.

- For purposes of preliminary negotiations, staff has assumed a first-year program budget of approximately $11,679,000. This would include a first-year PMC contract cost of about $3,131,000, incentives of approximately $6,344,000 ($5,627,000 electric, $717,000 gas), performance compensation of $100,000, $36,000 for a contractor to provide support for lighting trade allies and

Energy Trust staffing and program support expenses of $2,068,000. The actual budget and costs hinge on the final 2009 annual budget and two-year action plan decisions to be made by the Energy Trust board in December of this year.

- Energy Trust expects that work performed under this contract could save as much as 4.43 aMW (best case) at a cost of approximately $2.31 million per aMW and a levelized cost of $0.023 cents per kWh. Gas savings are expected to be as much as 469,107 therms (best case) at a cost of $3.12 per annual therm and a levelized cost per unit of $0.28 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 management contracts, actual amounts for each contract year will be negotiated annually, consistent with board-adopted annual budgets and two-year action plans. In the first year of the proposed contract, Energy Trust staff would negotiate contract amounts consistent with the board approved 2009 budget and two-year action plan. Each subsequent contract year, following board approval of an annual budget and two-year action plan, Energy Trust staff and the PMC will negotiate contract amendments conforming to the next year's contract goals and board-approved annual budget and two-year action plan. The resulting contract and contract amendments would be signed without further board action.

- The contract will refer to expected program incentive costs, but 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.

Recommendation

Authorize the executive director to enter into a contract with PECI to manage the Business Energy Solutions – New Buildings program, by approving resolution number 486.

RESOLUTION # 486
AUTHORIZING A CONTRACT WITH PECI TO MANAGE THE BUSINESS ENERGY SOLUTIONS-NEW BUILDINGS PROGRAM

WHEREAS:

1. **The current Energy Trust contract with its New Buildings program management contractor terminates December 31, 2008.**
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. **PECI has been selected through this process and proposed contract terms are in the process of being negotiated.**

4. **Staff has assumed a total first-year PMC budget for 2009 of approximately $9,575,000, including a first-year delivery contract cost of about $3,131,000, incentives of $6,344,000, and potential performance compensation of $100,000.**

5. **Staff analysis projects the following program savings and fully-loaded costs in 2009:**

	Electric	Gas
Savings (Best case)	4.43 aMW	469,107 Therms
$/ Unit Savings (Best case)	$2.31 million/aMW	$3.12/Therm
Levelized Cost (Best case)	$0.023/kWh	$0.28/Therm

6. **The above numbers are based on assumptions. Actual savings and costs will be reviewed by the Energy Trust board as part of the annual budget and action plan decisions.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon, Inc. authorizes:

1. **Subject to later board review of cost/benefit ratios and projected savings numbers in the annual budget process, a contract with PECI to manage the Business Energy Solutions - New Buildings Program from January 1, 2009, through December 31, 2011. Provided PECI 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 2009 budget and two-year action plan. Thereafter, the contract may be amended annually consistent with the board's approval of the annual budget and corresponding action plan decisions.**

3. **The executive director is authorized to sign an initial contract and any contract amendments consistent with this resolution and board-approved annual budgets and corresponding action plans.**

4. **To maximize program savings and benefits, staff may reallocate funds among different categories within the program budget as long as such reallocation is consistent with the board-approved annual budget and action plan decisions.**

5. **Before extending this contract beyond December 31, 2011, staff will report to the board on PECI'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: 11 Abstained: 0

Opposed: 0

APPENDIX I

Energy Trust of Oregon Program Management Contractor Selection

September 3, 2008

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

Seven organizations submitted intent to respond forms for the program RFP; two respondents submitted proposals. The process was led by an RFP review team consisting of five individuals -- three Energy Trust representatives, one member from Cascadia Green Building Council and one member from Northwest Energy Efficiency Alliance. The review team considered, evaluated and numerically scored the proposal on three overall major factors:

1. Strength of the Proposal (40%) –including such factors as the responsiveness of the proposal to the RFP, the strength of the approach, and responsiveness to the specific objectives. Proposals were weighed on creativity in solving problems and innovations in creating market opportunities and leverage.
2. Strength & Cohesiveness of Program Management Team (30%) –including such factors as the proposed management and team members experience and technical capability to address the many issues in the RFP for the planning and design enhancements, implementation and management of the program.
3. Cost and Savings (30%) –including such factors as the proportion of the total implementation and delivery budget as compared to the incentive budget, labor rates and hours allocated to management and program activity, reasonableness and credibility of the included cost elements, proposed savings goals, and the associated levelized costs.

Based on this review, both respondents were finalists. The review team conducted an extensive 2-hour interview with both respondents on Friday, August 8, 2008. PECI was selected as the winner.

Distinguishing Characteristics of PECI's Proposal

1. Overall clarity and responsiveness to RFP requirements
2. Strong understanding of market drivers and program components
3. Innovative and creative marketing approaches, including a depth of understanding about sustainability initiatives and an innovative approach to penetrating small- and medium- size projects with marketing collateral and the Earth Advantage package.
4. Strong desire to coordinate the program with other market entities and Energy Trust programs
5. Proven budget management and savings acquisition performance
6. Strong analysis and planning capabilities including a focus on developing additional measures to stay ahead of 2010 code changes
7. Collaborative approach to extending program via community partners
8. Superior approach to evolving program offerings

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