Board Decision
Approve Business Energy Solutions – Production Efficiency Program Delivery Contracts

September 3, 2008

Summary

Approve the basic terms of four multi-year agreements to provide program delivery services for the Energy Trust Business Energy Solutions Production Efficiency program, and authorize the executive director to amend the contracts to conform to annual board approved budgets and corresponding action plans.

Background

- The Business Energy Solutions Production Efficiency program acquires cost-effective electric and natural gas savings by providing technical assistance and financial incentives for high efficiency equipment and energy efficient production processes in existing and new industrial facilities.
- The program began in 2003 with four Program Delivery Contractors (PDCs) working with one Program Management Contractor to serve the medium-to-large industrial sector.
- In September 2007, Energy Trust initiated a Small Industrial Initiative. After a competitive selection process Cascade Energy Engineering, Inc. was chosen to serve as the PDC. The board is being asked to authorize the executive director to amend this PDC contract in accordance with the annual budget and corresponding action plan.
- In January 2008, Energy Trust internalized the management of the entire Production Efficiency program. Pending a competitive rebid, Energy Trust contracted with the existing medium-to-large industrial PDCs (R.H.T Enterprises Incorporated DBA RHT Energy Solutions, Portland General Electric Company, and Cascade Energy Engineering, Inc.), to continue their role through 2008.
- In May-June 2008, the contracts for the medium-to-large PDCs were competitively re-bid. Eight companies submitted an Intent to Respond. Seven bidders submitted proposals.
- A selection committee comprised of Energy Trust, the Northwest Power and Conservation Council and a former director of Industrial Customers of Northwest Utilities reviewed and scored proposals. The committee selected R.H.T Enterprises Incorporated DBA RHT Energy Solutions, Portland General Electric Company, Cascade Energy Engineering, Inc., Nexant, Inc., and HST&V, LLC DBA Strategic Energy Group to provide services to the medium-to-large industrial customers.
- Cascade Energy Engineering, Inc. will continue to provide services for the Small Industrial Initiative under its existing contract.
- Further assignment detail for all PDCs is provided in Appendix II.

Discussion

- For 2009, three of the medium-to-large PDC contracts and the Small Industrial Initiative PDC contract are expected to exceed $500,000, and therefore require board approval.

- For purposes of preliminary negotiations, staff has assumed first-year budget, incentives and goals for the contracts, as listed in the table below. Energy Trust expects work performed under these four contracts could save as much as 8.10 aMW (best case). The actual budget, savings and costs will be based upon the adopted annual budget and related action plan decisions to be made by the Energy Trust board this December.

Program Delivery Contractor	Full Contract Term	2009 Contract Amount	2009 Incentive Estimate	2009 kWh Estimate
RHT Energy Solutions	2009-2011	$ 905,310	$ 2,845,108	18,967,386
Portland General Electric, Customer Technical Services	2009-2011	$ 903,186	$ 3,254,522	21,696,814
Cascade Energy Engineering (Medium to Large)	2009-2011	$ 615,258	$ 3,053,400	21,810,000
Cascade Energy Engineering (Small)	2008-2010	$ 626,824	$ 1,530,000	8,500,000
TOTAL		$ 3,050,578	$ 10,683,030	70,974,200

- Following the adoption of the annual budget and corresponding action plan, PDC contract amounts and goals will be renegotiated with each PDC/contractor. With approval of this resolution, the resulting contract amendments will be signed by the executive director without further board action.
- Preliminary total program costs, including Energy Trust costs, the PDC contracts and other program efforts, is estimated to be approximately $19 million. The projected total savings is estimated to be 10.5 aMW (92 million kilowatt hours) at an annual cost of $0.21/kWh and levelized to $0.027/kWh. Additional preliminary program detail is provided in Appendix III.

Recommendation

Staff recommends approval of Resolution #487 to approve four Program Delivery Contractor contracts to deliver the main portions of the Production Efficiency program.

RESOLUTION #487

APPROVE BASIC TERMS OF FOUR PROGRAM DELIVERY CONTRACTS FOR THE PRODUCTION EFFICIENCY PROGRAM

WHEREAS:

1. **The current Energy Trust contracts with medium–to-large-sector Program Delivery Contractors (PDCs) for Production Efficiency terminate December 31, 2008.**
2. **With assistance from a selection committee including outside parties, staff has conducted a fair and open competitive procurement process for contractors to serve the medium-to-large sector over the next 3-5 years.**
3. **R.H.T Enterprises Incorporated DBA RHT Energy Solutions, Portland General Electric Company, Cascade Energy Engineering, Inc., Nexant, Inc., and HST&V, LLC DBA Strategic Energy Group have been selected through this process.**
4. **The PDC contracts with RHT Energy Solutions, Portland General Electric, and Cascade Energy Engineering for the medium–to-large sector are anticipated to exceed $500,000 for 2009.**
5. **Similarly, the current Energy Trust contract with Cascade Energy Engineering, Inc. for the Small Industrial Initiative (initially signed by the executive director) is expected to exceed $500,000 for 2009. The term of that agreement is through December 31, 2010, with the potential for up to a two-year extension.**
6. **In total, the 2009 budget for these four contracts is $13,700,000. This includes $10,700,000 in incentives and $3,000,000 in delivery expenses. The total Best Case savings for these four contracts are estimated at 71 million kWh or 8.10 aMW.**
7. **Current budget and savings numbers for the program are based on projections. Actual savings and costs will be reviewed by Energy Trust board as a part of the 2009 annual budget and corresponding action plan decisions.**

It is therefore RESOLVED:

1. **Subject to board review of cost/benefit ratios and projected savings numbers in annual budget processes, the board authorizes contracts with RHT Energy Solutions, Portland General Electric, and Cascade Energy Engineering to deliver the Production Efficiency program to the medium-to-large sector from January 1, 2009 through December 31, 2011. Provided each contractor meets performance criteria in the final contract, the contracts may be extended up to an additional two years.**
2. **The term of the Small Industrial Initiative PDC agreement is from January 1, 2008 through December 31, 2010, and may be extended up to an additional two years provided that the contractor meets certain established performance criteria.**
3. **All contract cost and savings goals will be included in each contract consistent with the board approved 2009 budget and corresponding action plan.**

Thereafter, each contract may be amended annually in accordance with subsequent board approved annual budgets and action plans.

4. **The executive director is authorized to sign the initial contracts for the medium to large sector PDCs and any contract amendments to those contracts, during the term, provided such contracts are consistent with this resolution and board-approved budgets and action plans.**
5. **The executive director is also authorized to sign any contract amendments to the Small Industrial Initiative PDC contract, during the term, provided such contract is consistent with this resolution and board-approved budgets and action plans .**
6. **To maximize program savings and benefits, staff may reallocate funds among categories within the program budget as long as such reallocation is consistent with the board-approved annual budget and action plan decisions.**
7. **Before executing the two-year extensions to any of these contracts beyond the initial term, staff will report to the board on the contractor's progress and staff's recommendation whether to extend the contract for up to an additional two years. Extension criteria appears in Appendix II. Contract terms for the extension period would remain as approved in the most recent budget, action plan, and contract at the time of the extension. Absent board objection to extending a contract, the executive director is authorized to sign the contract extensions.**

Moved by: Seconded by:

Vote: In favor: Abstained:

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

APPENDIX I

Business Energy Solutions – Production Efficiency Program Delivery Contractor Selection

September 3, 2008

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

Program Delivery Contractor (Medium-Large industrial) Re-bid: (RFP issued May 12, 2008)

Eight organizations submitted intent to respond forms for the program RFP but only seven submitted a proposal. A review team consisting of four Energy Trust staff, one member of the NW Power and Conservation Council and a former director of Industrial Customers of Northwest Utilities considered, evaluated and numerically scored the proposal on three overall major factors:

1. Proposal strength (40%) – Including such factors as ability to achieve a large volume of cost-effective energy savings; expanding program offerings; marketing outreach approach; and quality control.
2. Management & Team 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 delivery and staffing costs; incentive amounts; budget management; and overall specificity and measurability of costs compared to tasks.

Five proposals moved forward to the next round of review where new entities or those with proposals for new assignments were asked to present their strengths. Based on this review the following contractors were selected to deliver program services as listed.

Cascade Energy Engineering will provide general PDC services in northern Pacific Power territory including Portland, Hood River, Astoria, and Pendleton. They will also take on two industry specific PDC roles, pulp and paper and food processing. Staff engineers have deep local experience in each of these markets and will be able to deliver a comprehensive efficient approach to meeting their efficiency needs. They also plan to work closely with relevant industry associations for each of these markets.

Nexant, new to the Production Efficiency program, will take on the role of general PDC for the Bend/Redmond/Warm Springs region as well as deliver a 1 year focused approach to High Tech. The scope of the High Tech focus will be to act as PDC as well as to formulate an overall strategy to analyze our role with these high tech organizations. This activity is meant to provide long-term benefits to the program. After one year, we'll evaluate if this effort and make the decision on how to proceed. Two initial exceptions to the new High Tech territory will be Intel and Hewlett Packard which will continue to work with existing PDCs who have established relationships.

Portland General Electric Customer Technical Services will continue to provide program delivery services for industrial sites within Portland General Electric service territory excluding pulp and paper and food processing sites which Cascade Energy Engineering will assist and excluding large High Tech which Nexant will cover.

RHT Energy Solutions, Inc will continue to deliver the program in Southern Oregon including Medford, Klamath Falls, Roseburg, Corvallis, and Albany excluding food processing sites in the Albany region where Cascade Energy Engineering will fill that role.

Strategic Energy Group is another new addition to the PDC team. They will provide continuous energy improvement (CEI) services focused mainly on the PGE service territory through a two-year pilot effort. The industrial sector of NEEA is currently developing CEI through working with food processing and pulp and paper facilities only. This pilot will focus on all other types of facilities with the main goal of integrating energy management into manufacturing and facility management.

Three of the PDC contracts will exceed $500,000 and require board approval.

Program Delivery Contractor (Small industrial) Competitive Process: (RFP issued August 31, 2007)

Four organizations submitted intent to respond forms for the program RFP and all parties also submitted a proposal. A review team consisting of four Energy Trust staff and one member of the NW Energy Efficiency Alliance reviewed and scored the proposals on the same three overall major factors with variations on focus with each category for small industrial:

4. Proposal strength (40%) – Including such factors as ability to achieve a large volume of cost-effective energy savings; expanding program offerings; enrollment of trade allies; incentive calculation tool development; marketing outreach approach; and quality control.
5. Management & Team strength (30%) – Including such factors as proposed management, program design, implementation and operations team members; coordination with existing programs; marketing and outreach; incentive processing; tool creation experience; customer service; and technical knowledge.
6. Price proposal (30%) – Including overall budget; total program delivery and staffing costs; incentive amounts; budget management; and overall specificity and measurability of costs compared to tasks.

The top three respondents were invited to participate in an interview to provide further information about their strategies and capabilities. Based on this review Cascade Energy Engineering was selected to deliver the Small Industrial Initiative.

Cascade Energy Engineering's proposal included a strong trade ally delivery approach which is new to the industrial program but believed to be the most effective means to reaching the small industrial market. Over the years of working with Cascade as a medium to large industrial PDC and ATAC for the program, they have used their technical expertise to develop simplified analysis tools for relatively small scale projects to increase their cost effectiveness. These skills are expected to fit well with the new strategy for penetrating this small industrial market.

APPENDIX II

Energy Trust of Oregon Program Delivery Contractor – Contract Extension Metrics

September 3, 2008

Contract Extension Metrics

1. Cross program and territory referrals
    a. Problems don't arise
    b. Appreciable savings being realized in referred programs
    c. Procedure for working well with other programs and PDCs 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. Proposing new measures
    b. New delivery approaches (reaching focused market sectors and/or customers)
4. Teamwork
    a. How well PDC staff works with Energy Trust staff (flexibility and responsiveness)
5. Satisfactory execution of contract statement of work deliverables
    a. Program savings
    b. Budget management
    c. Data management
    d. Customer services
    e. Marketing
    f. Quality control

APPENDIX III

Business Energy Solutions – Production Efficiency Program Preliminary 2009 Budget

September 3, 2008

Energy Trust's Production Efficiency program is managed in-house by Energy Trust staff yet delivered to participants mainly through the use of contractors. In addition to the four contracts listed in Resolution 487, there are other components of the program with contracting and incentive costs and savings which all together make up the industrial Production Efficiency program.

The following table is a preliminary estimate of the costs and savings attributable to each component of the program within the 2009 budget. These numbers will be further refined through the budgeting process and presented to the board in December 2008 for final approval. These numbers are presented here for informational purposes only to help give the full picture of the program components. Preliminary total program cost, which includes Energy Trust costs, the PDC contracts and other program efforts, is estimated to be approximately $19 million. The projected total savings is estimated to be 10.5 aMW (92 million kilowatt hours) at an annual cost of $0.21/kWh and levelized to $0.027/kWh.

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Cascade Energy Engineering (Small)	$ 626,824	$ 1,530,000	8,500,000
Nexant*	$ 375,000	$ 750,000	5,000,000
TA Lighting Contractor*	$ 250,000	$ 810,000	6,750,000
Strategic Energy Group*	$ 450,000	$ 300,000	4,500,000
Green Motors*	$ -	$ 250,000	1,500,000
Non PDC managed projects*	$ -	$ 850,000	2,833,333
Energy Trust other expenses*	$ 1,300,000	$ -	-
TOTAL	$ 5,425,578	$ 13,643,030	91,557,533

* indicates these are placeholder best estimate values at this point in time which will be further refined