Board Decision Authorizing Contract with PECI to Manage New Homes and Products Program

November 4, 2009

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 New Homes and Products Program, renewable for up to two years.

Background

- The New Homes and Products program provides technical assistance and financial incentives for energy efficient construction of single family and manufactured homes, and promotes energy efficient home products and lighting.
- PECI was approved as the first program management contractor (PMC) for this program in 2004. In 2006, PECI was selected through a re-bid process to continue to manage the program for two years, with a one year extension option, which was exercised in 2008. The current contract with PECI expires at the end of December 2009.
- In July 2009, Energy Trust staff competitively re-bid the program, issuing a request for proposals for a Program Management Contractor (PMC).
- Energy Trust received one notice of intent to respond, and one proposal.
- A review team comprised of Energy Trust and Northwest Energy Efficiency Alliance representatives reviewed the proposal and all reviewers gave it high scores. An interview was held on September 1st. The review team confirmed their support of maintaining the PECI team as the PMC. The selection process is further explained in Appendix 1.

Discussion

- Staff proposes a PMC contract with PECI spanning three years, from January 2010, through December 2012, 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 $13,630,000. This would include a first-year PMC contract cost of about $6,230,000, incentives of approximately $7,400,000 ($6,300,000 electric, $1,100,000 gas), and performance compensation of $180,000. The actual budget and costs hinge on the final 2010 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 5 aMW (best case) at a cost of approximately $2.32 million per aMW and a levelized cost of $0.04 cents per kWh. Gas savings are expected to be 154,035 therms (best case) at a cost of $13 per annual therm at a levelized cost per unit of $0.96 per therm. Actual savings, cost per kWh, therm and contract costs will be computed based upon the final annual budget and action plan adopted 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 2010 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 Executive Director would sign the resulting contract and contract amendments without further board action.

- As usual, 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. Staff has 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 New Homes and Products program, subject to board approval of cost/benefit ratios and projected savings numbers in a final, board-approved 2010 budget.

RESOLUTION 529
AUTHORIZING A CONTRACT WITH PECI TO MANAGE THE NEW HOMES AND PRODUCTS PROGRAM

WHEREAS:

1. **The current Energy Trust contract with its New Homes and Products program management contractor terminates December 31, 2009.**
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 2010 of approximately $13,630,000, including a first-year delivery contract cost of about $6,230,000, incentives of $7,400,000, and potential performance compensation of $180,000.**
5. **Staff analysis projects the following program savings and fully-loaded costs in 2010:**

	Electric	Gas
Savings (Best Case)	5 aMW	154,035 Therms
$/unit savings (Best Case)	$2.32 mill/aMW	$13/ Therm
Levelized cost (Best Case)	$0.04/kWh	$0.96/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. **A contract with PECI to manage the New Homes and Products Program from January 1, 2010, through December 31, 2012, subject to board approval of cost/benefit ratios and projected savings numbers in the annual budget process. 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 2010 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.**
5. **Before extending this contract beyond December 31, 2012, 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

October 19, 2009

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

One organization submitted an intent to respond form for the program RFP; one respondent submitted a proposal. The process was led by an RFP review team consisting of five individuals -- four Energy Trust representatives 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 the proposal review, PECI's response was scored highly. The review team conducted an interview with PECI on September 1, 2009. PECI was selected as the winner.

Exemplary 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 methodologies for meeting short-term energy savings goals with long-term market transformation goals.
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 ability to provide technical support to the 2012 code change task.
7. Collaborative approach to extending program via industry partners.
8. Historic success managing the program since 2004.

APPENDIX II

Energy Trust of Oregon Program Management Contractor – Contract Extension Metrics

October 19, 2009

Contract Extension Metrics

1. Meeting electric and natural gas annual savings and levelized cost goals;
2. Timely and accurate incentive budget management and forecasting;
3. Aggressive and realistic savings goals setting during annual budget process;
4. Cross program referrals;
5. Continuous improvement and innovation; and
6. Exemplary customer service.