Briefing Paper
Lockheed Martin Services, Inc. Contract Extension for Existing Buildings program

May 5, 2010

Summary

Staff proposes to extend the Lockheed Martin Services, Inc. (Lockheed) program management contract for the Business Energy Solutions Existing Buildings program for an additional year, through December 2011. The executive director is authorized to extend the contract if certain criteria are met and the board does not object.

Background

- The Existing Buildings (EB) program provides a range of electric and gas energy-saving technical services and financial incentives for existing commercial facilities. Incentives are offered for qualified efficiency improvements such as lighting, HVAC, motors, controls, boilers, solar water heaters, restaurant equipment, steam traps, furnaces and insulation. Services include energy surveys and technical analysis, contractor referrals, project facilitation and post-installation assistance.
- In an open, competitive process, Energy Trust issued a *"Request for Proposals for a Program Management Contractor for the Business Energy Solutions - Existing Buildings Program"* on July 6, 2007 (RFP). Energy Trust received two responses and selected Lockheed Martin as program management contractor.
- In October of 2007, the board authorized the executive director to sign a 3-year contract, effective January 1, 2008, with two optional one-year extensions.
- Prior to extending the contract, the resolution directed staff to report to the board on Lockheed's progress toward achieving certain extension criteria and recommend whether to extend the contract for another year. The renewal criteria are:
    1. Cross program referrals
    2. Project pipeline
    3. Innovation
    4. Teamwork
    5. Satisfactory execution of statement of work deliverables
- The Resolution provided that absent board objection to the contract's extension, the executive director could sign the contract extension.
- In 2010 and 2011, the Business Sector will explore various ways this program could be reconfigured, e.g., employing additional contractors to deliver services to specific markets, end-uses, or geographic territories.
- A one-year extension allows time for any new approaches to be decided.

Discussion

- Actual amounts obligated in the extended contract will be consistent with the 2011-2012 board-approved budget. The budget approved by the board in December 2009 projected Existing Buildings 2011 management and delivery costs of $6.9 million.
- Lockheed Martin's performance in relation to extension criteria is explained, as follows:

1. Cross-Program Referrals: Lockheed has successfully worked to achieve project referrals and increase savings and generation in other Energy Trust programs by:

    a. Developing a protocol with New Buildings (NB) and Production Efficiency (PE) to help sort projects between programs.
    b. Meeting monthly with New Buildings team members on cross-program coordination.
    c. Working with New Buildings to service large accounts with projects eligible for both programs.
    d. Collaborating with Production Efficiency team members to service both the data center market and industrial campuses.
    e. Routinely including solar hot water opportunities into custom studies.
    f. Working with Energy Trust staff to identify solar photovoltaic opportunities.

2. Project Pipeline: Lockheed has built a significant pipeline of projects for 2010 and 2011 while balancing budget and savings targets by:

    a. Identifying 588 projects for 2010. Total anticipated savings are 62.7 million kWh and 720,000 therms, 73% of electrical and 65% of 2010 gas savings goals.
    b. Revisiting past energy studies and walkthroughs to identify and pursue additional opportunities; enhancing incentives for custom studies have not yet resulted in completed project installations; and initiating a marketing campaign to reach out to non-participants.
    c. In coordination with the lighting subcontractor, conducted targeted outreach to lighting customers to promote non-lighting measures.
    d. Expanding operations, maintenance and retro-commissioning measures to capture additional savings.

3. Innovation: Lockheed has closely engaged Energy Trust staff to develop new implementation strategies and measures to achieve greater market penetration. These innovations include:

    a. New incentives to stimulate uptake on non-lighting measures. Anecdotal information indicates that this is already starting to pay off.
    b. Launched internal business optimization project to streamline and enhance current program processes.

c. An innovative forecasting model to track key project milestones and enable back-up actions to expedite project completion.
d. The addition of 26 new prescriptive measures in 2009 with more to be added in 2010. These measures are designed to distribute and reach savings goals faster throughout the year, avoiding the year-end 'hockey stick'.

4. Teamwork: Lockheed has engaged with Energy Trust staff to ensure satisfaction with its work by:

   a. Working with the Energy Trust Communications and Customer Service group to refine marketing approaches and penetrate each market sector more effectively.
   b. Engaging with the Energy Trust Planning and Evaluation Group to solicit input and buy-in of new initiatives and to coordinate and prioritize commercial measure development activities with New Buildings.
   c. Improving forecasting accuracy.
   d. Improving accuracy of data inputs and content of project files

5. Deliverables:

   a. More than tripled annual electric goal since 2007.
   b. Increased gas goal by more than 75% since 2007.
   c. Exceeded conservative goals in every year since contract inception.
   d. Exceeded cumulative best-case gas goal for 2007 through 2009.
   e. Achieved 90% of cumulative electric best-case goal for 2007 through 2009.

- If extended, the contract terms for the extension period would remain as initially approved, with a modified schedule, savings targets and compensation to reflect the board-approved 2011-12 action plan and 2011 budget.

Next Steps

Staff recommends that the contract with Lockheed for management and delivery of the Existing Buildings program be extended to the end of December 2011. If the board does not object, the executive director will sign the extension.

During 2010 and 2011, the Business Sector staff will explore opportunities to engage additional Program Management and Program Delivery Contractors to serve specific market segments, end-uses, or geographic territories. Staff will report back to the board in May 2011 regarding any recommended changes