Board Decision
Increase Goal for New Buildings Program

July 28, 2010

Summary

Authorize the Executive Director to amend the New Buildings program management contract to increase the contract goals to reflect higher savings in NW Natural service territory, and authorize up to an additional $536,128 in incentives to pay for these savings at no additional program management contract expense.

Background

- PECI is the Program Management Contractor for the New Buildings Program.
- The program management contract, initially approved by the board 9/3/2008, includes the following 2010 energy saving goals for NW Natural territory: level one goal of 287,333 therms, level 2 goal of 338,039 therms, and level 3 goal of 371,843 therms (each goal level is associated with different levels of performance compensation).
- Through its increased outreach efforts, PECI has identified more opportunities in NW Natural territory than expected. PECI anticipates exceeding the goals of the current contract if Energy Trust makes commensurate incentives available.
- The driver behind gas savings is that measures are simple and cost-effective for customers to install enabling increased volume – primarily through prescriptive measures. Building owners are also on accelerated construction schedules from increased pressure to start leasing and begin generating revenue in a down economy. Projects are driving more quick-turn opportunity to the program as a result.
- The board policy on Contract Execution and Oversight provides:

  > The Executive Director shall not execute contract amendments that make major changes in contract terms (e.g., more than 10% change in funds obligated, more than 20% change in energy saved or produced, time by which savings will be achieved) unless the Board of Directors has first reviewed and approved the basic terms of the change.
- Achieving these savings would require an additional $536,128 in incentives. PECI's management and other charges under the contract would not increase.

Discussion

- The increases identified by PECI in NW Natural territory, would almost double the contract savings goals for the gas part of the program: the level one goal would increase to 623,624 therms (from 287,333), the level 2 goal to 733,675 therms (from 338,039), and level three goal to 807,043 therms (from 371,843).
- These savings represent more than a 20% change in the program's overall gas goal, so that board action is required.
- Amending the contract to increase level one, two and three gas goals would help ensure greater savings at no additional management cost. We expect these additional savings to decrease the program's overall levelized cost per therm.
- There are sufficient unallocated NWN carryover funds from the 2009 budget to provide $536,128 in additional incentives.

Recommendation

Authorize the executive director to amend the New Buildings program management contract with PECI to increase the 2010 savings goals.

RESOLUTION #559

INCREASE GOAL FOR NEW BUILDING PROGRAM

WHEREAS:

1. **The program management contract for the New Buildings Program, approved by the board September 3, 2008, includes the following 2010 saving goals for NW Natural gas: level one goal of 287,333 therms, level 2 goal of 338,039 therms, and level 3 goal of 371,843 therms (each goal level is associated with different levels of performance compensation).**
2. **In its outreach work, PECI, the Program Management Contractor for the New Buildings Program, has identified more savings in NW Natural territory than anticipated.**
3. **The board policy on Contract Execution and Oversight provides that major changes in contract terms, including more than 20% change in energy saved or produced, requires board approval. The additional savings identified by PECI would involve more than 20% increase in gas goals of the PECI program management contract.**
4. **The additional savings will require Energy Trust to expend an additional $536,128 in incentives. PECI's management and other charges under the contract would not increase. There are sufficient unallocated NWN carryover funds from the 2009 budget to pay these incentives.**

It is therefore RESOLVED:

The Executive Director is authorized to amend the New Buildings program management contract to increase the 2010 savings gas goals to 623,624 therms (from 287,333), the level 2 goal to 733,675 therms (from 338,039), and level three goal to 807,043 therms (from 371,843).

Moved by: Seconded by:

Vote: In favor: Abstained:

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