Authorizing a Program Management Contract for the Existing Multifamily program

November 10, 2010

Summary

Approve the basic terms of a two-year contract for program management services for Energy Trust's Existing Multi-family program, with the potential for up to three one-year extensions.

Background

- Beginning late 2009, funding for the Existing Multifamily component of CSG's Residential Sector Program Management Contractor agreement was moved to the Business Sector as part of the Energy Trust's organization redesign.
- On May 5th, the Board approved re-bid of the Existing Multifamily program's management contract to better align with Business Sector's Strategic Planning process and develop new approaches and outreach strategies for multifamily customers.
- In July, 2010, Energy Trust staff issued a request for proposals for a Program Management Contractor for the program.
- Energy Trust received ten notices of intent to respond. Several of these parties teamed together, and three actual proposals were submitted.
- A review team comprised of Energy Trust staff and an external reviewer from Bonneville Power Administration reviewed the proposals and interviewed all three respondents.
- The review team selected Lockheed Martin based on the strength of its proposal and interview. The selection process is further explained in Appendix 1.
- Staff presented this recommendation to the Policy Committee on October 12th. The committee supported the recommendation.

Discussion

- Prior to the board meeting, in order to begin the program transition to Lockheed Martin and maintain seamless program service for the market, staff plans to enter into a 2-month transition agreement with Lockheed Martin. This transition contract does not require board approval because it involves less than $500,000. It will be paid from the 2010 budget. No savings will flow from the transition contract, and it will allow an eight week overlap between Lockheed Martin and CSG, the current PMC.
- For the longer term, staff proposes a PMC contract spanning two years, from January 1, 2011 through December 31, 2012, with an option to renew for three one-year time periods.

- For purposes of contract negotiations, staff has assumed a first year budget of $3,575,134. This includes a first-year PMC contract cost of about $1,215,134, incentives of approximately $2,360,000 ($2,100,000 electric, $260,000 gas), with an allowance for performance compensation.
- Energy Trust expects that work performed under this contract could save as much as 13,300,000 kWh and 77,120 therms, at a cost of approximately $2,111,470 per aMW and a levelized cost of $0.0216 cents per kWh and $0.4395 per therm. Actual costs and savings will be included in the Existing Buildings Program budget, and computed after the board approves the 2011 budget.
- As with other program management contracts, actual contract amounts for each year will be negotiated annually, consistent with each year's board-adopted annual budget. Contracts and contract amendments conforming to these budgets 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. Incentive costs are part of the program's cost, and they are paid by Energy Trust to program participants. Program incentive amounts will also be provided and reviewed as part of the annual budgeting process and ensuing contract amendments.

Recommendation

Authorize the executive director to negotiate and sign a contract with Lockheed Martin for Existing Multifamily services by adopting resolution 568, below.

RESOLUTION 568

AUTHORIZING A PROGRAM MANAGEMENT CONTRACT FOR THE EXISTING MULTIFAMILY PROGRAM

WHEREAS:

1. **With assistance from a selection committee including an outside party, staff has conducted a fair and open procurement process to select a contractor to manage the Existing Multifamily program offerings for the next 2-5 years.**
2. **Lockheed Martin Services, Inc. was selected and contract terms are being negotiated.**
3. **Staff has assumed a total first-year program management contractor budget for 2011 of approximately $3,575,134 including a first year delivery contract cost of about $1,215,134, incentives of $2,360,000, and possible performance compensation.**
4. **Based on current assumptions, staff projects the following program savings and fully-loaded costs in 2011:**

	Electric	Gas
Savings (stretch)	13,300,000 kWh	77,120 Therms
$/Unit Savings (stretch)	$0.2410	$4.789
Levelized Cost (stretch)	$0.0216	$0.4395

Actual savings and costs will be reviewed by the Energy Trust board as part of the annual budget and action plan process.

It is therefore RESOLVED:

1. **Subject to determination of a final contract amount based on the board-approved 2011 budget, the executive director is authorized to enter into a contract with Lockheed Martin to manage the Existing Multifamily program from January 1, 2011 through December 31, 2012.**
2. **First-year contract costs and savings goals included in the contract shall be consistent with the board-approved 2011 budget and two-year action plan. Thereafter, the contract may be amended annually consistent with the board's annual budget and action plan decisions.**
3. **The final contract may include a provision allowing staff to offer up to three one-year extensions if the program management contractor meets certain established performance criteria.**

4. **Before extending this contract beyond December 31, 2012, staff will report to the board on the program management contractor's progress and staff's recommendation for any additional extension time periods. If the board does not object to extension, contract terms would remain as approved in the most recent action plans, budgets and contract at the time of extension, and the executive director is authorized to sign any such contract extensions.**

Moved by: Seconded by:

Vote: In favor: Abstained:

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

APPENDIX I

Energy Trust of Oregon Program Management Contractor Selection

November 10, 2010

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

Ten organizations submitted intent to respond forms for the program RFP; three proposals were submitted involving eight respondents. The process was led by an RFP review team consisting of five individuals -- four Energy Trust representatives, and one member from BPA. The review team considered, evaluated and numerically scored the proposal on three overall major factors:

1. Strength of the Proposal (40%) - Considerations included: the strength of the approach and responsiveness to the specific objectives, creativity in solving problems and creating market opportunities and leverage, knowledge of the multifamily market and market strategy, the ability to develop and deploy a product that drives quick uptake, design of a scalable program approach, and the ability of staff to influence customer decision making.

2. Strength & Cohesiveness of Program Management Team (30%) – Proposals were evaluated as to whether the respondents included individuals and team members with the management experience and technical capability to address the many attributes and areas for improvement outlined in the RFP for the planning and design enhancements, implementation and management of the program. While subcontracting for some of the program management tasks is permissible, respondents needed to demonstrate how they would work cohesively and efficiently to perform various aspects of the program.

3. Cost and Savings (30%) - Proposals were evaluated based on 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 will also be considered. Reasonableness and credibility of each of the cost elements were examined. Proposals were subject to being penalized for underestimating cost factors to reduce the overall bid amount. Proposals were also evaluated based on the proposed savings goals and associated levelized costs.

Based on this review, the review committee selected to interview all three respondents. The review team conducted an extensive 2-hour interview with all three respondents. Following the interviews, the proposals were re-scored by the review committee using the same numeric scale. Lockheed Martin was unanimously selected as the first choice.

Distinguishing Characteristics of Lockheed Martin's Proposal and Interview

- Strong custom approach to augment current program
- Scalable direct install approach
- Qualified staff with deep regional multifamily and low income experience
- Potential tenant education and O&M strategies
- Highly recommended subcontractors with existing regional presence