Briefing Paper: Contract Extensions for Three Production Efficiency Custom Track PDCs

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Summary

Staff proposes two-year extensions of three custom track program delivery contracts of the Production Efficiency Program, through December 2013: RHT Enterprises, Inc. (RHT), Portland General Electric Company (PGE-CTS) and Cascade Energy Engineering, Inc. (Cascade). Under the board resolution approving these contracts, the executive director is authorized to extend them for up to two years if extension criteria are met and the board does not object.

Background

- The custom track of the Production Efficiency program targets medium to large industries with a broad range of customized services and incentives, including capital projects, O&M and Strategic Energy Management. While the program is managed in-house, Program Delivery Contractors (PDCs) provide technical expertise and facilitation for firms participating in Energy Trust programs. The custom track was 2/3 of Production Efficiency Program electric savings in 2010.
- In 2008, Energy Trust solicited bids for custom track PDCs and chose RHT, PGE-CTS, Cascade and Nexant, Inc for an initial three-year term with an option for up to two years extension.
- The board resolution authorizing the contracts required staff to report to the board on the PDCs' progress and performance before extending the contract. The contract extension metrics are:
    1. Cross program referrals
    2. Project pipeline
    3. Innovation
    4. Teamwork
    5. Satisfactory execution of statement of work deliverables

Discussion

- The 2011 and projected 2012 contract amounts for RHT, PGE-CTS and Cascade are below. Actual amounts obligated in the extended contract will be consistent with the 2012-2013 and 2013/2014 board-approved budgets. Program delivery represents 23% of the total Production Efficiency budget for 2011, with these 3 contracts representing 65% of that delivery budget in 2011.

	2011 Contract Amount	***2012 Estimated Contract Amount***
RHT	$1,153,580	$1,268,938
PGE-CTS	$1,675,000	$1,945,500
Cascade	$1,442,579	$1,612,966

- RHT, PGE-CTS and Cascade's performance in relation to extension criteria:

    1. Cross-Program Referrals: All three PDCs have successfully worked to achieve project referrals and increase savings and generation in other Energy Trust programs by:

        a. Meticulously following protocols to sort projects between the Small Industrial Initiative, New Buildings and Existing Buildings.
        b. Working cooperatively and creatively with the New Buildings contractor to serve industrial new construction projects on a case by case basis, generating qualified leads for small industrial and for the Existing Buildings program.
        c. Working with Energy Trust renewable staff to learn the technical basics of solar hot water, PV, biomass and biogas combined-heat-and-power in order to explore these opportunities at industrial sites, and routinely scoping for solar hot water interest and potential when looking for thermal efficiency opportunities

    2. Project Pipeline: The PDCs are building a significant pipeline of projects for 2011 and 2012 while balancing budget and savings targets by:

        a. Creating an annual and mid-year action plan to strategically target program offerings for specific participants and sectors and to plan new strategic efforts with the Energy Trust.
        b. Ramping up outreach to historically under-participating sites and developing a more comprehensive engagement by PDC engineers to drive deeper savings at top participating sites.
        c. Accurately tracking project milestones and consistently updating the Program on changes to project schedules to improve the program's forecasting accuracy.

	2011 Stretch Goal	***2011 pipeline***	***2012 pipeline***
RHT	27,000,000	17,069,554	2,068,695
PGE	42,000,000	17,406,099	17,280,537
Cascade	32,069,000	32,179,431	199,060

(Named projects, working kWh as of 3/14/11)

    3. Innovation: RHT, PGE and Cascade have closely engaged Energy Trust staff to implement new strategies and measures to achieve greater market penetration. These innovations include:

        a. Adding low-cost operations and maintenance measures to the custom track in 2009 and 2010, testing and verifying approaches to technical analysis, promoting persistence of savings. and rapidly accelerating deployment of these measures through the 90

by 90 Custom O&M special offer when most needed during the recession.

b. Adding gas incentives to the custom track in mid-2009. For the PDCs, this was brand new work. In addition to deploying these new services and incentives, they had to quickly train their field engineers to identify opportunities and provide rigorous 3rd party technical review of studies.
c. Coordinating and recruiting for the successful Industrial Efficiency Initiative (IEI) and Kaizen Blitz strategic energy management (SEM) pilots in 2009 and 2010. In 2011, PDCs are bringing the new suite of enhanced technical services to their territories. This program development has shifted the PDC focus from retrofits to comprehensive and continuous energy solutions.
d. PDC success with these three innovations is demonstrated in the remarkable increase in program savings shown below:

PE Savings from New Initiatives (reportable therms, kWh)

	2008	2009	2010
Gas Efficiency (therms)	12,978	234,665	606,117
Custom O&M (kWh)	0	452,195	21,185,598
SEM (kWh)	1,564,770	7,894,217	26,392,045

4. Teamwork: RHT, PGE and Cascade have engaged with Energy Trust staff by:

   a. Working with the Energy Trust Industrial Marketing Manager and Communications and Customer Service group to better represent all Energy Trust programs, refine marketing approaches in industrial sector and penetrate each market sector more effectively.
   b. Participating actively with the other PDCs in Quarterly meetings to share challenges, best practices and lessons learned.

5. Deliverables:

   a. RHT, PGE and Cascade have performed successfully on their contract electric savings goals, despite the tremendous challenges of the recession which hit the industrial sector at the end of 2008 and impacted savings significantly in 2009.
   b. The new gas incentives for the custom track in mid-2009 were accompanied by gas savings goals. These goals were not met in 2009 or 2010, due primarily to long project lead times for large capital projects, which was not adequately accounted for when the goals were set. Despite this, the PDCs have brought many new projects into the pipeline and are expected to meet goal in 2011.
   c. Savings and progress towards goal for previous contract years are detailed in the tables below:

RHT	**Electric** (working million kWh)				**Gas** (working therms)		
Year	Stretch Goal	Electric Actual	% of Cons. Goal	% of stretch	Stretch Goal	Gas actual	% of stretch
2009	22.32	18.23	*109%*	82%	51,000	7,835	15%
2010	22.27	31.01	*164%*	139%	250,000	-	0%

PGE	**Electric** (working million kWh)				**Gas** (working therms)		
Year	Stretch Goal	Electric Actual	% of Cons. Goal	% of stretch	Stretch Goal	Gas actual	% of stretch
2009	18.82	19.51	*138%*	104%	51,000	29,985	59%
2010	26.47	42.66	*190%*	161%	300,000	56,782	19%

Cascade	**Electric** (working million kWh)				**Gas** (working therms)		
Year	Stretch Goal	Electric Actual	% of Cons. Goal	% of stretch	Stretch Goal	Gas actual	% of stretch
2009	26.91	19.42	*96%*	72%	66,000	32,292	49%
2010	32.07	32.27	*118%*	101%	260,000	248,230	95%

- 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 action plans and budgets for 2012 and 2013. Because the contract is freely terminable, the extension would be contingent upon the PDCs' satisfactory ongoing performance against contract goals.

- Staff recommends waiting until later this year to assess the Nexant contract:
    - Nexant was the only new PDC in 2009, and was assigned the previously underserved territory of Central Oregon plus 10 historically non-participating high-tech sites in the Portland area.
    - While Nexant has met most contract extension requirements, they have not met conservative savings goals in 2009 or 2010. They appear to be on track to achieve goal in 2011.
    - Revisiting the contract extension in the beginning of Q3 of 2011 will give us more opportunity to evaluate the success of this contract.

Next Steps

If the board does not object, the executive director will sign these extensions.