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

May 4, 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 2012. The executive director is authorized to extend the contract if certain criteria are met and the board does not object. This would be the final extension for this contract.

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 2007, Energy Trust solicited an EB program manager in an open, competitive process 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. The first extension option was exercised in 2011 and this would be the second.
- The board resolution authorizing the contract directed staff to report to the board on Lockheed's progress toward achieving certain extension criteria and recommend whether to extend the contract. The renewal criteria are:
    1. Cross program referrals
    2. Project pipeline
    3. Innovation
    4. Teamwork
    5. Satisfactory execution of statement of work deliverables
- In October 1, 2009, Lockheed also assumed management to deliver services to NW Natural commercial customers in Washington.

Discussion

- Actual amounts obligated in the extended contract will be consistent with the 2011-2012 board-approved budget. The December 2010 budget projected 2012 EB management and delivery costs of $8.2 million.
- Lockheed Martin's performance in relation to extension criteria:

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, industrial campuses and provide roof-top tune-up services.
    e. Working to routinely include 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 2011 by:

    a. Engaging 904 projects for the 2011, with forecasted savings of 46.8 million kWh and 665,000 therms. These represent 57% of electrical and 68% of 2011 gas savings goals, putting the program on-track to achieve goals.
    b. Filling the NW Natural WA pipeline to 32,400 therms, or 31% of the annual savings goal.
    c. Coordinating with the lighting subcontractor, conducting targeted outreach to lighting customers to promote non-lighting measures.
    d. Expanding operations and 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.
    b. An innovative forecasting and budget tracking model to track key project milestones and enable back-up actions to expedite project completion.
    c. Preparing to roll-out a market-based operations pilot that will test the viability of using various building information systems to help participants understand energy use and adapt behavior to maximize operational performance.

d. Working with EnergyTrust staff to refine the Commercial Technical Service Pool to augment Existing Buildings program activities.

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 (CCS) group to refine marketing approaches and penetrate each market sector more effectively.
   b. Engaging with Energy Trust Planning and Evaluation, Legal, Finance and CCS to solicit input and buy-in of new initiatives.
   c. Improving forecasting accuracy and budget management tools.
   d. Improving accuracy of data inputs and content of project files
   e. Coordinating with Government Account Representative contractor to build relationships in the public sector.

5. Deliverables:

   a. Existing Buildings completed 2,205 energy-saving projects in 2010, an increase of 37 percent over 2009. This includes work with Oregon Department of Energy to serve 105 K-12 school sites.
   b. In 2010, Existing Buildings enhanced program offers providing low-cost improvements, including successfully recruiting and completing: a) more than 150 roof-top tune-ups offering for unitary air conditioning units resulting in 988,000 kWh and 107,000 therms and b) launching the Direct Digital Control Tune-up pilot resulting in 1.45 Million kWh.
   c. Achieved significant savings at 86% of electric stretch goals and 99% of gas stretch goals in 2009 and 92% of electric stretch goals and 116% of gas stretch goals in 2010 as detailed in the table below:

	2009 Contract Goal	2009 Contract Savings	2010 Contract Goal	2010 Contract Savings
PGE	83,000,000	50,694,998	58,983,448	51,909,477
PAC		20,580,129	26,461,494	26,281,400
NWN	800,000	734,708	834,843	909,760
CNG		58,228	116,200	108,835
NWN DSM	NA	5,628	150,220	257,192
NWN WA	NA	NA	86,500	92,363

- Staff believes that recent program adjustments will further improve the program and a one-year extension allows time for these adjustments to work. Examples include:

  - Lockheed reorganized its management and delivery structure to more effectively penetrate and efficiently serve all market sectors in the existing buildings market.

  - In 2010 Lockheed won the bid for the Multi-family contract. Extending the Existing Buildings contract through 2012 will allow Lockheed time to

develop and demonstrate integrated strategies and economies of scale in delivering to both Commercial and Multifamily customers.

- Internal Business Sector staff are taking steps to diversify the contractor base by developing a Commercial Technical Service Provider pool. This pool will provide services that augment commercial program activities and will improve quality and quantity of responses when the EB program management contract is rebid in 2012.
- 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 2012 action plan and 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 2012. If the board does not object, the executive director can sign the extension.

In 2012 Energy Trust staff proposes to issue a RFP for Existing Buildings and NW Natural WA program activity for a three-year period from 2013-2016 with two, optional one-year extensions.