Briefing Paper
Contract Extensions for a Production Efficiency Custom Track PDC

October 5, 2011

Summary

Staff proposes two-year extensions of Nexant's custom track program delivery contract for the Production Efficiency Program, through December 2013. Under the board resolution approving this contract, the executive director is authorized to extend it 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 represented 2/3 of electric savings achieved by the Production Efficiency Program 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.
- In May of 2011, staff briefed the board of its intention to, absent board objection, exercise the 2-year contract extension for 3 of the custom track PDCs (RHT, PGE-CTS and Cascade Energy) based on their strong performance in all contract extension metrics. The board did not object to these extensions.
- At that time, staff deferred until Fall 2011 to brief the board on any potential extension of Nexant's PDC contract, giving staff additional time to review Nexant's results and evaluate performance against the contract extension metrics.
- The board resolution authorizing the PDC 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 Nexant are below. Actual amounts obligated in the extended contract will be consistent with the 2012-2013 board-approved budgets. Program delivery represents 23% of the total Production Efficiency budget for 2011, with this contract representing 13% of that delivery budget in 2011.

2011 Contract Amount	2012 Estimated Contract Amount
$822,500	$825,000

- Nexant's performance in relation to extension criteria:

1. Cross-Program Referrals: Nexant has 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 programs with the Small Industrial Initiative, New Buildings and Existing Buildings.
    b. Working cooperatively and creatively with Energy Trust's New Buildings program management 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
    d. Providing an ongoing source of referrals to other Energy Trust business programs. Nexant has provided 20 qualified leads to other programs and PDCs just in the first 7 months of 2011.

2. Project Pipeline: Nexant has built 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.

Project Pipeline (named projects, working kWh and therms as of 9/7/11)

	2011 Stretch Goal	***2011 pipeline***	***2012 pipeline***
Electric (kWh)	11,750,000	10,300,000	2,100,000
Gas (therms)	85,000	123,500	38,000

3. Innovation: Nexant has 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 economic downturn.
    b. Adding gas incentives to the custom track in mid-2009. 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) strategic energy management (SEM) pilot in 2010. In 2011, Nexant is bringing the new suite of enhanced technical services to their territory. This program development has shifted the PDC focus from retrofits to comprehensive and continuous energy solutions.

4. Teamwork: Nexant has 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 from the field.

5. Deliverables:

    a. Although Nexant did not reach savings goals in 2009 or 2010, their savings results have improved each year, and in 2011 they are poised to exceed conservative goals in electric and to exceed stretch in gas savings. Staff has identified 2 main factors as contributing to Nexant's diminished savings results in the first 2 years:

i. Nexant was the only new PDC in 2009, and was also assigned to a newly established PE program "territory." The other custom track PDCs had prior experience under the industrial program when Energy Trust brought it in-house. Unlike other PDCs, they did not enter 2009 with a pipeline of projects. Given the long lead times for many industrial capital projects, it took 1 – 2 years to get the pipeline developed. In hindsight, savings targets in the first 2 years of this contract may have been overly aggressive, as they were based on historical savings achieved by incumbent PDCs in mature territories.

ii. Nexant's assigned PDC territory is significantly smaller than the other custom PDCs and is more challenging, including only Central Oregon plus a small set of 8 historically non-participating High Tech manufacturers. Central Oregon has limited industry, much of which is forest products. These businesses and the Central Oregon region in particular have been more impacted by the economic downturn than other areas of the state. Despite these challenges, Nexant's efforts increased participation each year in these 2 historically underserved territories from 2009 – 2011.

b. Nexant has been the primary source of industrial savings in Cascade Natural Gas territory, and their presence and growing relationships in Central Oregon continue to be the program's best opportunity to achieve industrial gas savings in this region.

Nexant	**Electric** (working million kWh)				**Gas** (working therms)		
Year	Stretch Goal	Electric Actual	% of Cons. Goal	% of stretch	Stretch Goal	Gas actual	% of stretch
2009	7.8	2.0	*34%*	25%	65,000	54,150	83%
2010	9.7	6.6	*90%*	68%	120,000	41,000	33%
2011	11.7	8.8	*117%*	75%	85,000	98,018	117%

Note: 2011 "Actuals" are pipeline of projects as of Sept. factored by project stage for likelihood of completion in 2011.

- 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.

Next Steps

Staff recommends that the contract with Nexant for delivery of the Custom track of the Production Efficiency program be extended to the end of December 2013. If the board does not object, the executive director will sign the extension.