Authorizing a Program Management Contract for the Existing Homes program in Oregon and Washington

August 22, 2012

Summary

Approve the basic terms for contract(s) for program management services for Energy Trust's Existing Homes program in Oregon and Washington. It is anticipated that the contract(s) will be structured with an initial term of either two or three years, with the potential for one-year performance-based extensions thereafter and a total contract duration not to exceed five years.

Background

- In April 2012, Energy Trust staff issued a request for proposals for Program Management Contractors (PMCs) to deliver services for one or more of the following: Oregon Prime PMC services, Product Fulfillment, Quality Control (QC)/Quality Assurance (QA), Innovative Outreach Approaches through Schools and Publicly Owned Utility (POU) territories, and NW Natural Washington residential services.
- Energy Trust received twenty-four notices of intent to respond. Several of these parties teamed together, and nine distinct bidders submitted proposals.
- A review team comprised of Energy Trust staff and external reviewers from the Bonneville Power Administration (BPA) and the NW Power and Conservation Council reviewed the proposals, and agreed that:
    - Three of the proposals for Prime PMC services warranted interviews
    - The QA proposal of j. HRUSKA GLOBAL Inc. was clearly the best choice and that no further interviews were necessary
    - The delivery of project-level QC field services was best accomplished as part of the Prime PMC services contract for the preferred candidate and that the selected Prime PMC should plan to leverage field support in remote regions from Community Action Partnerships of Oregon (CAPO)
    - The proposal selection for Innovative Outreach Approaches through schools and POU territories be completed after board approval of a Prime PMC.
- After oral presentations and written responses to follow-up questions, the review committee unanimously selected Fluid Market Strategies (Fluid) to recommend to the board to deliver Prime PMC, Product Fulfillment, Quality Control and NW Natural Washington services based on the strength of its proposal and interview. The selection process and criteria are further explained in Appendix 1.

Discussion

Prime PMC and NW Natural Washington

- Of the three Prime PMC Proposals, the review team recommended the Fluid Market Strategies proposal based on the criteria explained in Appendix 1 and on the following highlights and opportunities:

- Strong plan to transition reliance of program savings away from Instant Savings Measures
- Emphasis on reducing program delivery costs by transitioning some program roles to the market
- Demonstrated management capabilities
- Demonstrated ability to develop markets for new technologies and program savings measures
- Enhanced customer call center options
- Innovative approach to prioritizing energy savings measures using housing characterization and customer segmentation approaches
- Ability to streamline program processes and requirements to make program administration more efficient
- Innovative integration of Clean Energy Works Oregon options
- Ideas to support financing that coordinate with current approaches and recognize experiences to date
- Demonstrated flexibility in approaches to address potential cost-effectiveness challenges for some efficiency measures and delivery approaches
- Existing relationships with POUs and ability to integrate programs with BPA
- Clear demonstration of efficiencies gained by integration of product fulfillment and Quality Control services along with Prime program service delivery

Quality Assurance (QA)

- Of three proposals for Quality Assurance (QA) service delivery, the review team emphasized the value of maintaining independent QA services, disaggregated from internal and field Prime PMC processes and Quality Control (QC) services.
    - The review team recommended the j. HRUSKA GLOBAL proposal for QA services, based on the criteria explained in Appendix 1 and the following highlights: Demonstrated familiarity and awareness of Energy Trust program evolution, including work as incumbent QA contractor to monitor program policies, procedures, and service delivery methods; additionally, there is a recognized value in selecting the incumbent to maintain QA delivery, given the recommendation to transition core program elements to a new PMC
    - Demonstrated experience developing, implementing, and/or supporting PNW programs to support energy efficiency, weatherization, and energy education through investor-owned, publically-owned, and low-income program venues
    - Prioritized use of program tracking system to identify and analyze variances and trends to inform opportunities for program improvements
    - The QA contract is estimated to be less than $500,000 and is not expected to require board approval. Funds for QA services will be included in the 2013 budget process

Quality Control

- The RFP was designed to identify efficiencies related to the delivery of joint QC/QA services and Prime PMC and QC services. The review team unanimously agreed that

the delivery of project-level Quality Control (QC) field services was best accomplished as part of the Prime PMC services contract since there is a large connection between the trade ally engagement components between the two services.

- Additionally, of the six proposals for delivery of QC field services, the review team recommended the Fluid Market Strategies proposal, based on the criteria explained in Appendix 1 and based on the following highlights:
    - Strong plan to evolve and train the market to perform internal QC through trade ally training
    - Demonstrated technical and training expertise through subcontractor, Advanced Energy
    - Experience performing QC functions for pilots and new initiatives
    - Plan to coordinate with CAPO, also an independent respondent to the QC scope, to leverage existing resources and deliver efficiencies in certain geographic areas

Innovative Customer Engagement Approaches through Schools and Publicly Owned Utilities (POUs)

- The RFP was designed to identify opportunities to better reach the school environment and increase program awareness and activity. Three proposals were submitted. The review team agreed that broader Energy Trust coordination should be conducted to develop a combined residential and commercial sector strategy for schools.
    - An internal committee is currently evaluating the school-based proposals and intends to select a respondent by September 7th
    - The school-based contract is estimated to be less than $100,000, well under the requirement for board approval. Funds for schools-based efforts will be included in the 2013 budget process
- The RFP was designed to identify opportunities to better engage customers in POU territories to increase program awareness and activity. Of the five proposals, the review team agreed that this scope did not require discrete focus outside of the Prime PMC contract and that this scope could be folded into the role of the Prime PMC.

Transition

- In order to begin the program transition from Conservation Services Group to Fluid Market Strategies and maintain seamless program service for the market, staff plans to enter into a 4-month transition agreement with Fluid.
    - This transition contract is expected to be $300,000 for Oregon and $25,000 for Washington in 2012; the total is less than $500,000 and does not require board approval for executive director signing authority. Funds for the transition are included within the 2012 budget.
    - No savings will flow from the transition contract, and it will allow a sufficient overlap between Conservation Services Group and Fluid Market Strategies to conduct necessary training and other transition activities enabling Fluid to begin full management and delivery of the Existing Homes services for both Oregon and Washington on January 1, 2013.

Budget and Savings

- Actual costs and savings included in the 2013 program management contract(s) with Fluid will be included in the Existing Homes program budget, and computed after the board approves the 2013 budget. For purposes of initiating contract(s) negotiations, staff assumes first-year costs as follows:
    - A first-year budget estimate of up to $21,500,000 for Existing Homes, which includes up to $14,900,000 in incentives ($8,850,000 for electric, $6,050,000 gas). The remaining portion of the budget estimate includes funds for contracted management and delivery, as well as potential performance compensation and some contingency funding Energy Trust is setting aside in the event that any unforeseen transition issues arise.
    - A first-year budget of up to $677,000 for NW Natural Washington services, which includes up to $402,000 in gas incentives. The remaining portion of the budget estimate includes funds for contracted management and delivery, as well as potential performance compensation and some contingency funding Energy Trust is setting aside in the event that any unforeseen transition issues arise.

- Energy Trust expects that work performed under these contracts:
    - In Oregon, could save as much as 48,800,000 kWh and 1,436,000 therms, at a cost of approximately $2,270,000 per aMW and $6.02/therm at a levelized cost of $0.025 per kWh and $0.42 per therm. Actual costs and savings will be included in the Existing Homes program budget and computed after the board approves the 2013 budget.
    - In Washington, could save as much as 119,000 therms, at a cost of approximately $5.71/therm at a levelized cost of $0.43 per therm. Actual costs and savings will be included in the NW Natural Washington program budget and computed after the board approves the 2013 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 could be signed without further board action.
- The contract(s) will refer to expected program incentive costs and do not include these costs in PMC contract payments. Program incentive amounts will also be provided and reviewed as part of the annual budgeting process and ensuing contract amendments.
- Approval of this resolution will allow Energy Trust to execute either a single contract with Fluid Market Strategies to cover program management services for Oregon and Washington or two separate contracts with Fluid for these services. Staff expects contract negotiations and internal program decisions on payment structures and performance compensation will inform the final decision.
- In addition, this resolution will allow staff the flexibility to establish contract(s) with either an initial two (2) or three (3) year term, with an option for one-year extensions if certain criteria are met.
- In no event would the total contract term exceed a maximum of five (5) years, and in keeping with Energy Trust practice, the board will review any of the allowable contract(s) extensions. In addition, the contract(s) would include a provision allowing Energy Trust to end the contract(s) early for lack of performance or at Energy Trust discretion.

Recommendation

Authorize the executive director to negotiate and sign the PMC contract(s) with Fluid Market Strategies to deliver Existing Homes services: 1) for Prime PMC services in Oregon and 2) to gas customers in NW Natural Washington by adopting resolution 641, below.

RESOLUTION 641

AUTHORIZING A PROGRAM MANAGEMENT CONTRACT FOR THE EXISTING HOMES PROGRAM

WHEREAS:

1. **With assistance from a selection committee including outside parties, staff has conducted a fair and open procurement process to select a contractor to manage Existing Homes program services: 1) for Oregon PMC services, and 2) to NW Natural Washington services for the next 2-5 years.**
2. **Fluid Market Strategies was selected and contract terms are being negotiated.**
3. **Staff has assumed a total first-year program management contractor budget for 2013, including first-year incentives, contracted delivery, performance compensation and program transition contingency funds of approximately:**
   a. **Up to $21,500,000 for Oregon services, and**
   b. **Up to $677,000 for NW Natural Washington services.**
4. **Program management contract savings and costs will be reviewed by the Energy Trust board as part of the annual budget and action plan process. For purposes of the current resolution, staff projects the following program savings and fully-loaded costs in 2013:**

Oregon

	Electric	Gas
Savings (stretch)	48,800,000 kWh	1,436,000 therms
$/Unit Savings (stretch)	$2,270,000/aMW	$6.02/therm
Levelized Cost (stretch)	$0.025/kWh	$0.42/therm

NW Natural Washington

	Gas
Savings (stretch)	119,000 therms
$/Unit Savings (stretch)	$5.71/therm
Levelized Cost (stretch)	$0.43/therm

It is therefore RESOLVED:

1. **Subject to determination of a final contract amount based on the board-approved 2013 budget, the executive director is authorized to enter into**

contract(s) with Fluid Market Strategies to manage the Existing Homes program services: 1) for Oregon and 2) to gas customers in NW Natural Washington from January 1, 2013 ending not later than December 31, 2015.

2. **First-year contract costs and savings goals included in the contracts shall be consistent with the board-approved 2013 budget and two-year action plan. Thereafter, the contract(s) may be amended annually consistent with the board's annual budget and action plan decisions and the executive director is authorized to sign any such contract amendments.**
3. **The final contract(s) may include a provision allowing staff to offer one-year extensions beyond the initial term if the program management contractor meets certain established performance criteria. In no event would the total term of the contract plus any extension periods exceed five years.**
4. **Before extending these contracts beyond the initial term, 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

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

The RFP was structured so that respondents could submit proposals to provide PMC services for one or more of the following five scopes and tasks (respondents that submitted proposals responding to Scope 1 were required to also respond to Scope 5): Scope 1: Prime PMC Services, Scope 2: Product Fulfillment Services, Scope 3 Quality Control (Task 1: Quality Control Field Services and Task 2: Quality Assurance Services), Scope 4: Innovative Customer Engagement Strategies (Task 1: Schools and Task 2: POU territories), and Scope 5: NW Natural Washington Residential PMC services.

Twenty-four organizations submitted intent to respond forms for the program RFP; thirty-two unique proposals were submitted involving nine respondents. The process was led by an RFP review team consisting of five individuals -- three Energy Trust representatives, and one member from the Northwest Power and Conservation Council and one member from the Bonneville Power Authority. The review team considered, evaluated and numerically scored the proposal on three overall major factors:

1. Strength of the Proposal (30%) - Considerations included: strength of the approach; responsiveness to the specific objectives; creativity in solving problems; creating and leveraging market opportunities; and ability to collaborate with other Energy Trust programs in order to provide seamless customer service.

2. Strength & Cohesiveness of Program Management Team (30%) – Proposals were evaluated based on demonstrated management experience and technical capability to address the many issues in this RFP for the design, implementation, marketing/outreach and management of the program. Subcontracting to provide expertise for specific program management tasks, such as outreach and delivery to specific market sectors, was encouraged and the successful respondent will demonstrate how it will work cohesively and efficiently to perform various aspects of program administration.

3. Cost and Savings (40%) - Proposals were evaluated based on the Proportion of the total implementation and delivery budget as compared to the incentive budget. Considerations include: (i) Labor rates for management and program activity, and reasonableness and credibility of each cost elements will be examined. Proposals will be penalized for underestimating costs factors to reduce the bid amount. Proposals will also be evaluated based on the proposed savings goals.