Authorizing a Program Management Contract for the Existing Buildings 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 Buildings program in Oregon and Washington. It is anticipated that the contract(s) will be structured with an initial term of either 2 or 3 years, with the potential for one-year performance-based extensions thereafter and a total contract duration not to exceed 5 years.

Background

- In April 2012, Energy Trust staff issued a request for proposals for a Program Management Contractor to deliver Existing Buildings commercial energy efficiency retrofit services. Respondents were invited to bid for one or more of the following program elements: Oregon Non-lighting, Oregon Lighting and NW Natural Washington services.
- Energy Trust received twenty notices of intent to respond. Several of these parties teamed together, and six actual proposals were submitted.
- A review team comprised of Energy Trust staff and an external reviewer from the NW Power and Conservation Council reviewed the proposals and unanimously agreed to interview three respondents.
- After oral presentations and written responses to follow-up questions, the review team unanimously selected ICF Resources, LLC (ICF) for delivery of Existing Buildings services for Oregon Non-lighting, Oregon Lighting and NW Natural Washington services. ICF was selected based on the strength of their proposal, which demonstrated:
    - A comprehensive and integrated approach across the full scope of the program
    - Strong technical depth and capabilities
    - Impressive marketing capabilities and experience
    - A track record of proactive and effective program management and innovation
    - Needed data management systems and skills, particularly in the area of data security
    - An impressive track record of program innovation
    - Ability to initiate a quick-Start transition plan and demonstrated transition team experience
- The selection process and criteria is further explained in Appendix 1.

Discussion

- To begin the program transition to ICF and maintain seamless program service for the market, staff plans to enter into a 4-month transition agreement with ICF.
  - This transition contract for combined OR and WA activities is expected to be $482,000 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 covered available within the current 2012 budget.
  - No savings will flow from the transition contract and it will allow a sufficient overlap between ICF and the current PMC to complete necessary training and other transition activities. This will ensure a smooth close-out and transition from the current contractor, Lockheed Martin, enabling ICF to begin full management and delivery of the Existing Buildings services for both Oregon and Washington on January 1, 2013.
- Actual costs and savings included in the 2013 program management contract(s) with ICF will be included in the Existing Buildings 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 $31.6 Million for Oregon Non-lighting and Oregon Lighting, which includes up to $23.2 Million for incentives ($19.7 Million for electric, $3.5 Million for 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 estimate of up to $491,000 for NW Natural Washington services, which includes up to $294,000 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 the contract(s) in 2013:
  - In Oregon, could save as much as 99,400,000 kWh and 1,240,000 therms, at a cost of approximately $2.36 Million per aMW and $3.83/therm at a levelized cost of $0.029 per kWh and $0.33 per therm. Actual costs and savings will be included in the Existing Buildings program budget and computed after the board approves the 2013 budget.
  - In Washington, could save as much as 150,000 therms, at a cost of approximately $3.28/therm at a levelized cost of $0.25 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 will be negotiated annually, consistent with each year's board-adopted budget. Contracts and contract amendments conforming to these budgets would 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 or two separate contracts with ICF for these services. Contract negotiations and internal program decisions on payment structures and performance compensation will determine whether one or two contracts is warranted.
- In addition, this resolution will allow staff the flexibility to establish contract(s) with either an initial two-year term (January 1, 2013 – December 31, 2014) or three-year term (January 1, 2013 – December 31, 2015) with optional one-year extensions if certain criteria are met.
- In no event would the total contract term exceed a maximum of 5 years, and in keeping with Energy Trust practice, the board will review any allowable contract(s) extensions. In addition, the contract(s) will allow 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 ICF to deliver Existing Buildings program services: 1) for Oregon Non-lighting and Oregon Lighting and 2) for Washington NW Natural services by adopting resolution 642, below.

RESOLUTION 642

AUTHORIZING A PROGRAM MANAGEMENT CONTRACT FOR THE EXISTING BUILDINGS 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 Existing Buildings program services for the next 2-5 years for: 1) for Oregon Non-lighting and Oregon Lighting, and 2) NW Natural Washington services.**
2. **ICF Resources, LLC was selected and contract terms are being negotiated.**
3. **Program energy 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 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 as follows:**
    a. **Up to $31.6 million for Oregon Non-lighting and Oregon Lighting, and**
    b. **Approximately $491,000 for NW Natural Washington services.**
    c. **Based on these cost and other assumptions, staff projects the following program savings and fully-loaded costs in 2013:**

Oregon Non-lighting and Oregon Lighting

	Electric	Gas
Savings (stretch)	99,400,000 kWh	1,240,000 therms
$/Unit Savings (stretch)	$0.270/kWh	$3.83/therm
Levelized Cost (stretch)	$0.029/kWh	$0.33/therm

NW Natural Washington

	Gas
Savings (stretch)	150,000 therms
$/Unit Savings (stretch)	$3.28/therm
Levelized Cost (stretch)	$0.25/therm

It is therefore RESOLVED:

1. **Subject to determination of a final contract(s) amount based on the board-approved 2013 budget, the executive director is authorized to enter into contract(s) with ICF Resources, LLC to manage the Existing**

Buildings program services: 1) for Oregon Non-lighting and Oregon Lighting and 2) to NW Natural Washington gas customers from January 1, 2013 and 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 extension periods exceed five years.**
4. **Before extending these contract(s) 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(s) 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 with three scopes: Scope 1: Oregon Lighting, Scope 2: Oregon Non-Lighting and Scope 3: NW Natural Washington. Respondents could submit proposals to provide PMC services for: A) Scopes 1 and 3 B) Scope 2 C) Scopes 1, 2 and 3. Energy Trust had the option to pick and choose a contractor or contractors to serve one or more scopes.

Twenty organizations submitted intent to respond forms for the program RFP. Six proposals were submitted involving five respondents, including one respondent proposing as a prime PMC for Oregon Lighting and also included as a subcontractor on two other propoals. The process was led by an RFP review team consisting of five individuals -- four Energy Trust representatives, and one member from the Northwest Power and Conservation Council. 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 respondents were asked to demonstrate how they would 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 were also evaluated based on the proposed savings goals.

Based on this review, the review committee selected to interview three respondents. Two of the interviewed firms responded to address the PMC services outlined in Scope 1, 2 and 3 and one firm responded to address delivery of the PMC services for Scope 2 alone. The review team conducted extensive interviews with an emphasis on each respective scope for the three respondents. Following the interview process, the proposals were re-scored by the review committee using the same numeric scale. The review committee evaluated the proposals that were submitted to see if efficiencies could be gained by splitting Scopes 1, 2 and/or 3 into separate PMC contracts; the review committee concluded that the proposals that were submitted did not present these efficiencies at this time. ICF Resources, LLC was unanimously selected as the first choice to deliver PMC services for Scopes 1, 2 and 3.