

AGENDA



Recommendation for Council Action (Purchasing)

Austin City Council

Item ID:

43186

Agenda Number

<ITEM_OUTLINE>

Meeting Date:

April 16, 2015

Department:

Purchasing

Subject

Authorize award, negotiation and execution of a 12-month contract with CLEARRESULT CONSULTING INC., or one of the other qualified responders to RFP No. OPJ0111, for an Efficient Consumer Products Manufacturer Retailer Program in an amount not to exceed \$873,956, with four 12-month extension options in an amount not to exceed \$873,956 per extension option, for a total contract amount not to exceed \$4,369,780.

Amount and Source of Funding

Funding in the amount of \$364,149 is available in the Fiscal Year 2014-2015 Operating Budget of Austin Energy. Funding for the remaining seven months of the initial contract period and extension options are contingent upon available funding in future budgets.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

**Purchasing
Language:**

Best evaluated proposal.

**Prior Council
Action:**



**For More
Information:**

Oralia Jones, Senior Buyer Specialist, 512-322-6594

**Boards and
Commission
Action:**

March 23, 2015 – To be reviewed by the Electric Utility Commission. March 24, 2015 - To be reviewed by the Resource Management Commission.

Related Items:

MBE / WBE:

This contract will be awarded in compliance with City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Procurement Program. No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

Additional Backup Information

The contract will provide Austin Energy with an efficient multi-utility incentive program, also known as the Efficient Consumer Products Manufacturer Retailer Program. The Program offers incentives to customers for qualified energy efficient purchases at participating retailer locations. All retail locations for an individual retailer are eligible to participate. Incentives are coordinated with program partners—retailers, manufacturers and distributors—to provide point-of-sale incentive redemption, in the form of discounted pricing or an instant rebate, for utility customers. Incentive amounts for promotions are intended to fluctuate based on promotion performance, seasonality and partner promotions. Austin Energy will benefit from this program's design and administration through the simplification of partner and promotion acquisitions, streamlined and standardized implementation, transaction level

data capture, analysis and reporting.

Rebate amounts will be determined by Austin Energy using a benefit cost formula recognized, accepted and used by the utility industry. Rebates for this program generally will not exceed 25% of the cost of an eligible product and in no event will exceed 35% of the cost of the product. Program performance will be monitored and rebates reduced or eliminated as sales targets are achieved. Rebate amounts will vary by product type and are related to the cost of the eligible product and the savings associated with better product performance. Some of the products and rebate amounts are listed below as an example and may not be representative of the actual products to be promoted or the actual rebates/discounts.

<u>Product</u>	<u>Rebate</u>
Screw-in 60 watt equivalent LED (Light Bulb	\$2.00
Energy Star Window Air Condition Unit	\$50.00
Consortium for Energy Efficiency TIER II rated Refrigerator	\$50.00
Smart Power Strips (surge protectors)	\$10.00
Wireless Digital Programmable Thermostat	\$25.00

Rebate and discounts will be dependent on product performance (efficiency) and adjusted to ensure there is a positive benefit cost ratio associated with rebates or discounts.

The program will reach customers at the point of purchase where incentives can be most effective in persuading customers to purchase an energy efficient product thus having a positive impact on Austin Energy's megawatt (MW) savings goal. With the increase of the savings goal to 900 MW by 2025, approved by Council in December 2014, new and innovative programs are needed to expand Austin Energy's participant base. As of January 2015, the cumulative combined demand reduction (Green Building and Energy Efficiency Services) is 15 MW, which is 26% of the annual goal. It is anticipated that this new program strategy will contribute to goal achievement, increase customer satisfaction and broaden the availability of energy savings to underserved and hard to reach sectors of our community.

Traditional mail-in rebate programs have been the bulk of Austin Energy's program portfolio but the strategy is reaching levels of saturation across current customer segments. Retail strategies motivate untapped markets at the point of purchase with the support of retail and manufacturing partners. This new strategy allows the utility to benefit from economy of scales and external support and customers participating in the program benefit through reduction in energy use through improved product performance. Austin Energy estimates that program participants will save an estimated 6,025,000-6,788,500 kilowatt hours annually. This is approximately \$602,500-\$678,850 annually.

Utilizing a contractor to implement and manage the program is a cost effective approach ensuring timely implementation of promotions across program partners (manufacturers, distributors and retailers). The program will promote a variety of Energy Star labeled performance measures which include LED lighting, air conditioning window units, lighting controls and refrigerators that pass the cost/benefit analysis. It will reduce administration costs and increase market penetration for selected energy efficient products, and includes marketing, customer education, incentive management, built-in controls and quality assessment measurements.

The service also ensures the utility can receive point-of-sale data from participating partners in a form that can be accessed by staff. Participating partners use disparate systems to track sales. Unless Austin Energy purchases a system to accept the various forms of point-of-sale data, it will be unable to extract the qualified sales from the individual participating locations. The contractor will also share sales data across the three parties (Austin Energy, participating partners and service provider) without violating regulatory requirements for customer confidentiality and customer data sharing.

There are approximately 15 potential retail partners with over 35 potential participating locations combined. Austin Energy does not have the resources to manage in-store promotions across all participating locations. In-store promotions require verification and monitoring of available stock, promotion signage, partner training, etc. In addition, retailers prefer to work with a third party vendor to limit program contacts, paperwork, legal services, data reporting and administrative costs associated with participating as a partner in the program.

An evaluation committee composed of personnel from Austin Energy with expertise in this area evaluated the proposals and based on the criteria, scored these proposals as those which best meet their requirements. Evaluation criteria included system concept and solutions proposed, experience, evidence of good organization and project management practices, economy of scale and cost and local business presence.

This request allows for the development of a contract with the qualified offeror selected by Council. If the City is unsuccessful in negotiating satisfactory agreements with the selected offeror, negotiations will cease and staff will return to Council so that another qualified offeror may be selected, authorizing new contract negotiations.

The proposals for this solicitation are valid through May 1, 2015. Approval of this energy efficient product program will be beneficial to Austin Energy and its customers based on the information presented above.

MBE/WBE solicited: 0/0

MBE/WBE bid: 0/0

PRICE ANALYSIS

- a. Adequate competition.
- b. 47 notices were sent. There are no known MBEs/WBEs for this commodity code. Six proposals were received.

APPROVAL JUSTIFICATION

- a. Best evaluated proposal.
- b. The Purchasing Office concurs with Austin Energy's recommended award.
- c. Advertised on the Internet.