

AGENDA



Thursday, October 23, 2008

**Purchasing Office
RECOMMENDATION FOR COUNCIL ACTION****Item No. 29**

Subject: Authorize award and execution of a 24-month requirements supply agreement with COMVERGE, INC., East Hanover, NJ, for the purchase of load control devices to be installed in single-family, multi-family and commercial facilities in an estimated amount not to exceed \$3,890,480, with three 12-month extension options in an estimated amount not to exceed \$1,945,240 per extension option, for a total estimated contract amount not to exceed \$9,726,200.

Amount and Source of Funding: Funding in the amount of \$1,945,240 is available in the Fiscal Year 2008-2009 Operating Budget of Austin Energy. Funding for the remaining 12 months of the original contract period and extension options is contingent upon available funding in future budgets.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Sandy Calles, Buyer Sr., 322-6487.

Purchasing Language: Sole Source.

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9D of the City Code (Minority Owned and Women Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

This contract will provide for the purchase of 11,000 load management thermostats and 1,000 water heater switches (Direct Control Units or DCUs) for Austin Energy's (AE) Power Partner Program. The DCUs will be installed on electric water heaters, multiple compressors, pumps, motors, or any combination within single family, multi-family, and commercial facilities. The contract will also include web-hosting services, as the thermostats also known as SuperStats® are web-enabled, thus allowing customers to program the SuperStat® via the internet. The thermostats are manufactured by Comverge, Inc. The installation services will be provided through a separate contract.

Since the inception of the Power Partner Program in 2000, over 76,000 load management thermostats have been installed on AE customers' water heaters and other equipment. These thermostats, along with water heater switches (DCUs), are capable of reducing AE's summer peak demand load by as much as 50 MW. AE is able to communicate remotely to the thermostats by sending a one-way signal via Comverge's proprietary protocol (226/206). Each thermostat contains a communication module that enables it to respond to this proprietary signal. Comverge is the sole manufacturer of load control devices (SuperStats® and DCU Switches) with the 226/206 communication protocol. The load management software system required to communicate with the SuperStat® is also provided by Comverge and is the only load management software system capable of communicating via the 226/206 protocol to the 76,000 SuperStats® AE has installed.

On a summer peak demand day, AE may initiate a load curtailment event to decrease the amount of energy being used, thereby reducing the amount of load/energy on AE's grid. During a curtailment event, the Power Partner Program sends a signal to the thermostat which cycles the customers' air conditioning compressors (off) for up to 10 minutes every half hour between the hours of 4:00 p.m. and 8:00 p.m. Water heaters are cycled off 100% of the time between the hours of 3:00 p.m. and 7:00 p.m.

The requested dollar amount includes funding for AE's aggressive conservation plan as outlined in the 10-year strategic plan approved by City Council.

The primary purpose of the Power Partner Program is to defer or eliminate the dispatch of the most expensive electrical generation and reduce congestion on the grid during periods of the highest, overall demand. The program is also a tool to defer the construction of the next unit of generation by managing the system peak energy production, and to provide AE customers with a tool/device that is AE branded and to help them reduce their energy consumption year round.

Since this service/program is demand response and not conservation, the environmental impact is minimal, but is expected to save 9,075 kilowatts (kW) of peak demand savings and 126,400 kilowatt hours (kWh) of energy savings per year. This translates into annual emission reductions of 82 tons of carbon dioxide which equates to 18 vehicles being eliminated from the Austin roadways.

This is a sole source contract since the Comverge thermostat includes a communication module that is manufactured specifically to AE's communication infrastructure. Comverge has sole proprietorship on the algorithms and communication protocols. Currently, there are no other companies manufacturing a thermostat that can operate on the Comverge LMS software that is licensed to AE.