



MEMORANDUM

TO: Mayor and Council Members
CC: Marc Ott, City Manager
FROM: Roger Duncan, General Manager
DATE: June 12, 2009
SUBJECT: Ratification of Contract Modification with Comverge, Inc.

BACKGROUND

Since the inception of Austin Energy's Power Partner Program in 2000, more than 81,000 programmable thermostats (Superstats®) and over 2,500 Digital Control Unit switches have been installed in homes, apartments, commercial buildings and City facilities in Austin Energy's service area. As a result, Austin Energy estimates a peak demand savings of 48MW. Comverge, Inc. is the sole manufacturer of these "load control" devices. This program assists Austin Energy achieve one of its strategic goals to reduce energy usage through energy efficient measures.

In July 2004, Council approved a four-year contract with Comverge for \$6,784,238. At the end of the second year of the contract, the City upgraded its financial accounting system. During this conversion, the remaining balance for this contract was incorrectly transferred to the new accounting system. In late 2008, this and other master agreement conversion discrepancies were identified in a City Auditor's report. The Purchasing Office began working with the Controller to assess the status of all converted master agreements and began the correction process.

The Comverge agreement conversion error resulted in spending \$1,161,568 over the contract authorization. Sufficient funds from Austin Energy's Operating Budget were available to support this expenditure without negatively impacting other programs. And with these purchases, an additional 6,000 electric utility customers received programmable thermostats and 500 Digital Control Units were installed. Austin Energy estimates the savings resulting from these installations to be 6,200 kW (over six MW).

ACTION

Austin Energy plans to bring forward an item requesting ratification of the expenditure on the July 23, 2009 Council agenda. This ratification will allow Austin Energy to resolve the accounting system conversion error and modify the expired contract to reflect the additional contract authority. Since discovery of the conversion error, Austin Energy has put in place internal control measures to ensure that a similar error does not occur.

Please let me know if you have any questions. I can be reached at 322-6157.

Roger Duncan
General Manager