

AGENDA



Recommendation for Council Action (Purchasing)

Austin City Council	Item ID:	43186	Agenda Number	27.
Meeting Date:	April 23, 2015			
Department:	Purchasing			
Subject				
<p>Authorize award, negotiation, and execution of a 12-month contract with CLEARESLT CONSULTING INC., or one of the other qualified respondents to Request for Purchase No. OPJ0111, to implement and manage a point-of-sale incentive program for Austin Energy customers purchasing qualifying energy-efficient products at participating retail locations in an amount not to exceed \$876,456, with four 12-month extension options in an amount not to exceed \$876,456 per extension option, for a total contract amount not to exceed \$4,382,280.</p>				
Amount and Source of Funding				
<p>Funding in the amount of \$364,149 is available in the Fiscal Year 2014-2015 Operating Budget of Austin Energy. Funding for the remainder of the initial contract period and extension options are contingent upon available funding in future budgets.</p>				
Fiscal Note				
<p>There is no unanticipated fiscal impact. A fiscal note is not required.</p>				
Purchasing Language:	Best evaluated proposal.			
Prior Council Action:	█			
For More Information:	Oralia Jones, Senior Buyer Specialist, 512-322-6594			
Boards and Commission Action:	<p>March 23, 2015 – Approved by the Electric Utility Commission on a vote of 6-0. March 24, 2015 – Approved by the Resource Management Commission on a vote of 5-0.</p>			
Related Items:	█			
MBE / WBE:	<p>This contract will be awarded in compliance with City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Program. Per the City's Small and Minority Business Resources Department, no subcontracting opportunities were identified; therefore, no goals were established for this solicitation.</p>			
Additional Backup Information				
█				

The contract will provide Austin Energy with a convenient, point-of-sale incentive program. The new program coordinates with manufacturers, distributors, and retailers to offer immediate rebates to Austin Energy customers purchasing qualifying energy-efficient products. The contract includes annual amounts of \$448,956 for implementation and management of the program and \$427,500 in actual incentives for customers.

The program reaches customers at the point-of-purchase, where incentives can be most effective in persuading them to choose energy-efficient products, having a positive impact on Austin Energy's megawatt (MW) savings goal. Rebate amounts will be determined using a standard cost-benefit formula accepted by the utility industry. Rebates under this program are typically less than 25% of the cost of an eligible product and will never exceed 35% of the cost of a product. Rebate amounts will vary by product type and the savings associated with greater energy efficiency. Some examples of products and estimated rebate amounts are listed below.

<u>Product</u>	<u>Rebate</u>
60-Watt-equivalent LED lightbulb	\$2
Energy Star window unit air conditioner	\$50
Consortium for Energy Efficiency TIER II-rated refrigerator	\$50
Smart power strips (surge protectors)	\$10
Programmable thermostat	\$25

Exact incentive amounts will be dependent on various factors, including efficiency, season, and manufacturer/retailer promotions. For lower priced items such as LEDs, the contractor will use a point-of-sale instant rebate processed directly to the customer. For higher priced items such as appliances, the contractor will offer a choice of online or traditional mail-in type applications. Rebate amounts will be adjusted to ensure there is a positive cost-benefit ratio for Austin Energy.

In December 2014, City Council increased the energy demand savings goal to 900 MW by 2025. Therefore, new and innovative programs are needed. This program will contribute to achieving the demand reduction goal, increase customer satisfaction, and make energy savings available 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 in the past, but studies show that quicker rebates are more effective. An instant or online rebate strategy allows the utility to reach a new market and benefits from economies of scale and external support. Participating customers benefit through a reduction in their electricity usage. Austin Energy estimates that this program could save customers 6,025,000-6,788,500 kilowatt hours (\$602,500-\$678,850) per year. Further, Austin Energy and its customers benefit by using less energy during peak demand periods when wholesale energy is most expensive.

Using a contractor is a cost-effective approach, as it reduces administrative costs and includes marketing, customer education, incentive management, built-in controls, and quality assessment measurements. The contract also allows Austin Energy to receive point-of-sale data from various systems used by participating retailers. This would not otherwise be feasible for Austin Energy. Austin Energy also does not have the resources to manage in-store promotions, which require monitoring of available stock, signage, and partner training. In addition, retailers prefer to work with one vendor to limit program contacts, paperwork, legal services, data reporting, and administrative costs associated with participating as a partner in various utility programs. Potential national and local retail participants include Home Depot, Lowe's, Best Buy, Sears, Wal-Mart, Target, Dollar General, Family Dollar, Lights Fantastic, Light Bulb Shop, Tree House and Eco-Wise.

An evaluation committee of Austin Energy personnel with expertise in this area evaluated and scored the proposals based on criteria that included the system concept, solutions proposed, experience, evidence of good organization and project management practices, cost, and local business presence.

This request allows for the development of a contract with a qualified offeror to RFP No. OPJ0111. Approval of this

energy-efficient product program consultant contract 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.