



Agenda Date: 02/07/07
Agenda Item: 8C

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

CLEAN ENERGY

IN THE MATTER OF THE NEW JERSEY CLEAN)	ORDER
ENERGY PROGRAM MANAGEMENT SERVICES,)	
RESIDENTIAL ENERGY EFFICIENCY AND)	
RENEWABLE ENERGY PROGRAMS – CONTRACT)	
AMENDMENT FOR HONEYWELL MARKET MANAGER)	DOCKET NO. EO05080667

(SERVICE LIST ATTACHED)

BY THE BOARD:

Background and Procedural History

By Order dated December 22, 2006, Docket No. EX04040276, the Board approved final programs and budgets for New Jersey's Clean Energy Program. The Board noted in that Order that it is in the process of transitioning many of the energy efficiency and renewable energy programs from the utilities and the Office of Clean Energy (OCE) to Market Managers selected through a competitive bidding process.

Specifically, on September 6, 2005, the New Jersey Department of the Treasury (Treasury), Division of Purchase and Property issued, on behalf of the Board, Request for Proposal 06-X-38052 (RFP) for New Jersey Clean Energy Program Management Services. After an extensive review of the proposals submitted, including the submission of best and final price offers and negotiation of several price components, the Board accepted the Treasury Evaluation Committee's recommendation at its Board agenda meeting of September 27, 2006 and selected Honeywell International, Inc. as the Market Manager for residential energy efficiency and renewable energy programs and TRC Energy Services as the Market Manager for commercial and industrial energy efficiency programs. In the Matter of the Clean Energy Program – Selection of Provider of Management Services, Residential Programs and Renewable Energy Programs, Docket No. EO05080667.

On October 19, 2006, Treasury issued a contract to Honeywell and to TRC to provide program management services (Honeywell: Contract Number A67052, TRC: Contract Number A67053). Since the issuance of the contracts by Treasury, OCE has worked closely with Honeywell, TRC and the utilities to plan for and implement a smooth transition of the programs.

The contracts included firm, fixed prices to deliver the programs as they existed in 2005. However, changes to the programs and specifically delays in the retention of the Program Coordinator that have occurred since the RFP was issued and proposals were submitted has created the need for the Board to consider changes to the prices that were included in Honeywell's and TRC's bids. The following sets out specific modifications to the prices included in the Market Manager contracts that have been proposed by Honeywell and reviewed by OCE with a recommendation for approval:

The RFP for Market Manager Services anticipated that the software for program tracking, rebate payment processing, customer service support, data integration and reporting would be provided by the Program Coordinator. Thus, the Honeywell proposal was not framed to include and its successful bid price did not reflect the cost of software. It is now clear that, given the change in the Program Coordinator RFP, continued implementation of the required services will require the Market Manager to provide a software solution.

Honeywell submitted an interim Information Technology (IT) Solution dated December 12, 2006. The OCE reviewed and submitted comments on the plan. These further questions were responded to by Honeywell on January 19, 2007 and OCE then approved the proposed solution. The Board has now determined that Honeywell can provide OCE with the necessary software for residential energy efficiency (EE) and renewable energy (RE) programs in a more effective and cost-efficient manner than a third party would require.

Projected pricing for EE and RE IT solutions is set forth in the attached summary of the proposed revisions to the Market Manager contracts.

The OCE has forwarded this IT plan to Treasury's Division of Purchase and Property for review and Treasury has approved the proposal as a contract amendment.

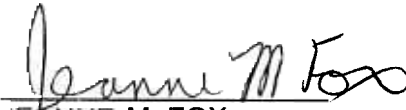
Conclusion

The Board has reviewed the proposed modifications to Contract Number A67052 and believes that these amendments, resulting in a cost increase of \$72,000 for IT System Development, \$9000 per month for System operation and maintenance, and \$3000 per month for Advanced

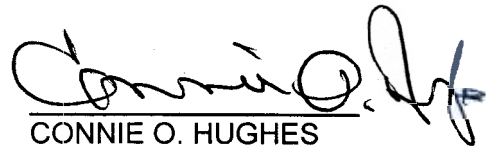
Solution Development, are reasonable and will provide for cost-effective services. Therefore, the Board **HEREBY APPROVES** the proposed modifications to the contract(s) as summarized in Attachment A hereto.

DATED: 2/7/07

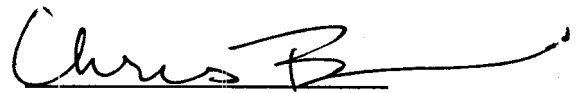
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

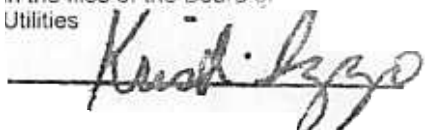

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY
this document is a true copy
in the files of the Board of
Utilities



January 19, 2007

Mr. Michael Winka, Director
Office of Clean Energy
State of New Jersey
Board of Public Utilities
44 S. Clinton Ave
P.O Box 350
Trenton, New Jersey 08625-0350

Re: Interim IT Solution, NJ Clean Energy Program (NJCEP), 06-X-38052

Dear Mike:

We have reviewed your January 19, 2007 letter requesting clarification of our December 12, 2006 proposal and pricing to provide software services to the Office of Clean Energy (OCE) to support our Clean Energy Program Market Manager role for the Renewable Energy and Residential Energy Efficiency Programs. Our responses to your requested clarifications are presented below.

I. Clarification of the need to modify contract pricing to include software costs.

The RFP for Market Manager Services anticipated that the software for program tracking, rebate payment processing, customer service support, data integration and reporting would be provided by a third party. During the pre-bid period it was conveyed that OCE anticipated that these software systems would be provided by the Program Coordinator. As such, our proposal conveyed that we did not include software in our bid pricing. It is now clear that at least an interim software solution will be required given the delay in securing a Program Coordinator. Also, and perhaps more significantly, Honeywell believes that we can provide the OCE a full software solution for residential energy efficiency (EE) and renewable energy (RE) programs that can confidently meet the needs of transitioning the programs to the Market Manager on a timely basis and do so at an all-in cost that is likely much less than a third party would require.

II. Pricing Clarifications

We acknowledge your request to provide pricing for EE and RE separately and have done so below. We also have provided the requested breakout of the ongoing cost to operate and maintain the system versus the amortization of the development of the advanced features. We have listed the costs applicable by month and added examples to show OCE cost at 6 months and full contract term.

Your letter also requested that we break out this quote for the three groups of features you noted. The functionality labeled Group-1 is quoted separately since this is the Interim Solution. However it is the nature of developing the capabilities shown as Group-2 and Group-3 that they are very much interrelated. We have therefore grouped these features as the Advanced Solution and are not able to further itemize the cost of developing these features. In fact, a piecemeal development approach to these features would likely add to the overall cost.

Proposed Cost Schedule – REVISED January 19, 2007:

(Assumes billing commencing Feb 2007)

1). Interim Solution Development*:

- a). EE Development – 2 months @ \$19,800 per month = \$ 39,600
- b). RE Development – 2 months @ \$16,200 per month = \$ 32,400

* Interim solution development to be billed the initial 2 months post-approval

2). System Operation & Maintenance:

- a). EE Operation & Maintenance – 22 Months @ \$5,400 per month = \$118,800
- b). RE Operation & Maintenance – 22 Months @ \$3,600 per month = \$ 79,200

3). Advanced Solution Development:

- a). EE Development – 22 Months @ \$1,800 per month = \$ 39,600
- b). RE Development – 22 Months @ \$1,200 per month = \$ 26,400

III. Extended Cost Examples:

Interim Solution – 6 months:

2 months EE Development @ 19,800/month =	\$ 39,600
2 months RE Development @ 16,200/month =	\$ 32,400
4 months EE Operation & Maintenance @ 5,400/month =	\$ 21,600
4 months RE Operation & Maintenance @ 3,600/month =	\$ 14,400
	\$108,000

Advance Solution – 6 months:

2 months EE Development @ 19,800/month =	\$ 39,600
2 months RE Development @ 16,200/month =	\$ 32,400
4 months EE Operation & Maintenance @ 5,400/month =	\$ 21,600
4 months RE Operation & Maintenance @ 3,600/month =	\$ 14,400
4 months EE Advanced Development @ 1,800/month =	\$ 7,200
4 months RE Advanced Development @ 1,200/month =	\$ 4,800
	\$120,000

Note – To determine the cost of the interim & advanced solutions for any period beyond 6 months, simply increase the number of months for the EE & RE Operations and Maintenance Fees and the Advanced Development Fees.

We look forward to reviewing this proposal with you. As always, feel free to contact me at anytime should you have additional questions or require clarification to this proposal.

Sincerely,

David Holland

David Holland

Regional Operations Manager

cc. Mike Psihoules; Tom McMahon; Bruce Elliott

STATE OF NEW JERSEY DEPARTMENT OF THE TREASURY DPP PURCHASE BUREAU	AWARD RECOMMENDATION	T NUMBER: T-2334 SOLICITATION NUMBER: 06-X-38052
--	-----------------------------	---

REPORT DATE 1/30/07	NUMBER OF BIDS MAILED NA	NUMBER OF BIDS RECEIVED NA	PRICE EXPIRATION DATE OF RECOMMENDED VENDOR NA
TO: Stanley Makarevic, Acting Assistant Director		SUBJECT: Contract Modification for an Interim IT solution for the Honeywell Market Manager contract for BPU	
FROM: Edward Cotterell, Team Leader			

RECOMMENDATION: I recommend that the contract to Honeywell International, Inc., A-67052, to manage the Residential Energy Efficiency Program and the Renewable Energy Program for BPU be modified to add an Interim IT Solution in accordance with sections 5.8 and 5.24 of the contract. The components are: 1) Development), 2) System O&M, and 3) Advanced Solution Development.

JUSTIFICATION: The Management Consulting: Program Management Services, NJ Clean Energy Program (Market Manager) contracts were awarded on October 20, 2006, to two contractors, TRC and Honeywell. The Market Manager contracts were intended to be awarded in conjunction with a Program Coordinator contract. The Program Coordinator was to provide an IT computer system that would be used by the Market Managers for recording, tracking and issuing reports on the program. The Market Manager contracts were awarded but the Program Coordinator contract was not. Therefore, the IT system was not provided.

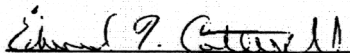
In the Market Manager bids, TRC indicated that it would provide IT services for itself within its bid prices, Honeywell's bid did not. The BPU needs these IT services from Honeywell in order to proceed with the program and has processed the attached request for a contract modification. The contract modification is for:

IT System Development - \$72,000 total
System O&M - \$9,000 per month
Advanced Solution Development - \$3,000 per month

The details of this agreement are outlined in the attached letters from Honeywell dated December 12, 2006, and January 19, 2007. There are also letters from Mike Winka of BPU dated January 19, 2007, January 22, 2007, and January 23, 2007. In the BPU letters, BPU agreed to the above 3 modifications and did not agree to other proposals presented by Honeywell, specifically PowerClerk integration and maintenance.


Once we approve, the Office of Clean Energy (OCE) will process this modification to the Board. OCE is hoping to put this on the Board agenda for February 7th and needs this amendment approved by us by February 2nd to get this on the agenda.

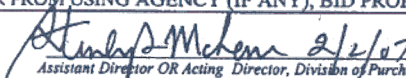
I agree with this recommendation and further recommend that this amendment be effective immediately following Board approval.


Edward T. Cotterell
Team Leader,
Professional Services

TO BE INCLUDED WITH REPORT: TABULATION, LETTER FROM USING AGENCY (IF ANY), BID PROPOSAL

APPROVALS:


Team Leader
Manager
1/30/07


Assistant Director OR Acting Director, Division of Purchase & Property
2/1/07