

- **Board of Directors**
Water Planning, Quality and Resources Committee

September 14, 2004 Board Meeting

9-5

Subject

Award contract to Honeywell DMC Services, L.L.C. for management and marketing services up to \$20 million over five years for Metropolitan's commercial/industrial/institutional conservation program

Description

Based on a competitive request for proposal process, authority is requested to authorize the Chief Executive Officer to award a five-year contract up to \$20 million to Honeywell DMC Services, L.L.C. (Honeywell DMC) to provide management and marketing services to Metropolitan for its regional commercial/industrial/institutional (CII) water conservation program. The Board adopted the refined CII program in January 2004.

Background

In January, the Board authorized a long-term regional CII water conservation program based on experience gained from the three-year pilot program, member agency input, and several focus groups. Use of a regional vendor has benefited Metropolitan's member agencies by consistently increasing the business sector response to conservation incentives resulting in water savings of more than 5,000 acre-feet. Devices that qualify for rebates include water-pressurized brooms, x-ray machines, commercial toilets and clothes washers.

Regional demand in the CII sector is projected to be approximately 1.1 million acre-feet per year in 2025. In implementing the Integrated Resources Plan Update, a proportionate share of the total 2025 targeted conservation savings for the CII section would be 104,000 acre-feet per year, based on consumption in that sector compared to total retail demand under this program.

RFP Process

The RFP process began with a request for information/interest (RFI) to over 100 potential candidates with the following goals:

- Solicit and incorporate recommendations by the potential candidates to the RFP's scope of work regarding program improvements; and
- Actively increase the outreach efforts to potential candidates to make the program more competitive.

Information obtained from the RFI process was incorporated into the RFP. Approximately 150 firms were solicited through the RFP process and two proposals were received. A seven-member selection panel consisting of four representatives from member agencies and three Metropolitan staff from External Affairs and Water Resources Management determined that Honeywell DMC is the most qualified firm and offers the lowest cost for this regional program.

Vendor Services

Honeywell DMC would market and manage the use of incentives under the CII program. These responsibilities include providing Metropolitan and member agency incentives to businesses that replace water-using devices with more water-efficient models. In marketing this program, the vendor would submit an annual marketing plan to Metropolitan for review and approval. Staff would review the plan for effectiveness and to ensure a unified message cross-referencing the District's other pertinent incentive programs. Member agencies would continue to have the option of adding funds to Metropolitan's base incentive level for approved conservation devices. The vendor would pay one rebate check comprised of the composite incentives from Metropolitan, member and retail

agencies, and other participants to the commercial customer for retrofit accomplishments. Metropolitan would then reimburse the vendor for the rebates issued plus a service fee.

Metropolitan would pay the vendor the following:

- An annual flat processing fee per device to manage the program and process rebates;
- A marketing fee, which would be tied to water savings, as scheduled in [Attachment 1](#), i.e. fees would be greater for devices that result in increased water savings; and
- Rebates would be provided at amounts previously established by the Board ([Attachment 2](#)) plus member and third party contributions.

In an effort to stay within budgetary limits of this program, staff would provide the vendor an annual device target tied to achieving Metropolitan's 2025 targeted conservation savings. There would be no marketing payment for device retrofits exceeding the annual target; however, Honeywell DMC would be paid a flat processing fee regardless of the number of devices rebated.

Reimbursements to the vendor would be through Metropolitan's Conservation Credits Program budget. For member agencies that add incentives to Metropolitan's base rebate, Metropolitan would debit their water bill accordingly. Payments to the vendor during the course of the contract will be approximately 80 percent for incentives provided to commercial customers and 20 percent for program management and marketing. In the upcoming year, staff estimates providing about \$2 in Metropolitan incentives plus \$1 in member agency incentives to save about 5,000 acre-feet. Corresponding vendor service fees would be about \$750,000.

Policy

By Minute Item 45638, dated Jan. 13, 2004, the Board authorized a long-term regional CII program and increased the current contract for management and marketing services by \$2.5 million through December 2004.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The overall project was previously determined by the Board to be exempt under the provisions of CEQA (Sections 15301 and 15378(b)(4) of the State CEQA Guidelines) on January 13, 2004. A Notice of Exemption (NOE) was filed on the project at that time and the statute of limitations has ended. With the current board action, there is no substantial change proposed to the project since the original NOE was filed. Hence, the previous environmental documentation in conjunction with the project fully complies with CEQA and the State CEQA Guidelines. Accordingly, no further CEQA documentation is necessary for the Board to act with regards to the proposed action.

The CEQA determination is: Determine that the proposed action has been previously addressed in the 2004 NOE (Sections 15301 and 15378(b)(4) of the State CEQA Guidelines) and that no further environmental analysis or documentation is required.

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and authorize the Chief Executive Officer to enter into a contract with Honeywell DMC as the long-term regional CII program vendor for five years.

Fiscal Impact: \$20 million over five years

Option #2


Do not authorize the Chief Executive Officer to enter into a contract with Honeywell as the long-term regional CII program vendor.

Fiscal Impact: None

Staff Recommendation

Option #1

 Stephen N. Arakawa Manager, Water Resource Management	8/14/2004 Date
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 Ronald R. Gastelum Chief Executive Officer	8/23/2004 Date
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Attachment 1 – Vendor Fee Schedule

Attachment 2 – Commercial/Industrial/Institutional Program Rebate Schedule

BLA #2973

Vendor Fee Schedule

	Vendor Fees*	
	Processing	Marketing
ULF Toilets		
Most ULF Toilets	\$ 28	\$ 11.50
Flush-Valve in high-use areas	\$ 28	\$ 11.50
Gravity type in high use areas	\$ 28	\$ 11.50
Urinals: water efficient/no water	\$ 28	\$ 11.50
X-Ray Recirculation System	\$ 28	\$ 11.50
Cooling Tower Conductivity Controller	\$ 28	\$ 11.50
High Efficiency Commercial Clothes Washer	\$ 28	\$ 11.50
Water Broom	\$ 28	\$ 11.50
Water Efficient Urinal	\$ 28	\$ 11.50

*Escalation rate of 3% is added each year for five years.

Commercial/Industrial/Institutional Program

Rebate Schedule

	Program Rebate*
ULF Toilets	
Most ULF Toilets	\$ 60
Flush-Valve in high-use areas	\$ 60
Gravity type in high use areas	\$ 60
Urinals: water efficient/no water	\$ 60
X-Ray Recirculation System	\$ 2,000
Cooling Tower Conductivity Controller	\$ 500
High Efficiency Commercial Clothes Washer	\$ 100
Water Broom	\$ 100
Water Efficient Urinal	\$ 60

*Metropolitan rebate amounts - Greater amounts would be provided to accommodate incentives from member agencies, third parties or to make use of outside grants.