Energy Efficiency Independent Evaluators' Semi-Annual Report

Southern California Gas Company

Third-Party Energy Efficiency Program Solicitations

Reporting Period: October 2022 through March 2023

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June 2023

Disclaimer: This Report includes sensitive and confidential information.

ENERGY EFFICIENCY INDEPENDENT EVALUATORS' SEMI-ANNUAL REPORT

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I. Overview

A. Purpose

The Independent Evaluators' (IE) Semi-Annual Report (Semi-Annual Report or Report) provides an assessment of the Southern California Gas Company (SoCalGas or Company) third-party energy efficiency (EE) program solicitation process and progress by SoCalGas' assigned IEs.

Each investor-owned utility (IOU) is required to select and utilize a pool of IEs with EE expertise to serve as consultants to the Procurement Review Group (PRG).[1] For the entire solicitation process, the IE serves as a consultant to the PRGs, participates in PRG meetings, and provides assessments of the overall third-party solicitation process and progress.[2] The IEs are privy to viewing all submissions, are invited to participate in the IOU's solicitation-related discussions, and are bound by confidentiality obligations.

In Decision 18-01-004, the California Public Utilities Commission (CPUC or Commission) directs that a semi-annual report on the overall process and conduct of the third-party solicitations be filed in the relevant EE rulemaking proceeding.[3] This report is provided in response to this requirement and represents an assessment of the program solicitation activities conducted from October 1, 2022, through March 31, 2023. This report provides feedback to the CPUC on the progress of SoCalGas' EE program solicitations.

This Report identifies improvement areas and highlights effective practices recognized by the IEs based on SoCalGas' current program solicitations. The Report does not replace the required Final IE Solicitation Reports, which each respective assigned IE will provide to SoCalGas and its PRG after each solicitation. These reports will be filed periodically throughout SoCalGas' entire third-party program solicitation process.

B. Background

In August 2016, the CPUC adopted Decision 16-08-019, which defined a "third-party program" as a program proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator.[4]

In January 2018, the CPUC adopted Decision 18-01-004 directing the four California IOUs, San Diego Gas & Electric (SDG&E), Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and SoCalGas, to assemble an EE PRG[5]. The IOU's PRG, a CPUC-endorsed entity, is composed of non-financially interested parties such as advocacy groups, utility-related labor unions, and other non-commercial, energy-related special interest groups. The PRG oversees the IOU's EE solicitation process (both local and statewide), reviewing procedural fairness and transparency. This oversight includes examining overall procurement prudence and providing feedback during all solicitation stages. Each IOU periodically[6] briefs its PRG throughout the process on topics including Request for Abstract (RFA) and Request for Proposal (RFP) language development, abstract and

[1] Decision 18-01-004, OP 2.
[2] Id, p. 38.
[3] OP 5.c.
[4] Decision 16-08-019, OP 10.
[5] Decision 18-01-004, OP 3.
[6] At monthly PRG meetings and off-cycle meetings as needed.

proposal evaluation, contract negotiations, and program Implementation Plan development.

Minimum Threshold Requirement for Third-Party Programs

The CPUC, in Decision 18-01-004, directed the IOUs to ensure their EE portfolios contain minimum percentages of third-party-designed and -implemented programs by predetermined dates.[7] In November 2019, the CPUC granted IOUs various extension requests to meet the CPUC's initial 25% threshold requirement [8] due to delays with the initial phases of the third-party solicitation efforts. Beginning December 31, 2022, the IOUs must maintain at least 60% of third-party programs within their EE portfolios. The IOUs are required to list their current third-party contracts, including an aggregate dollar value, in their Annual Energy Efficiency Reports on the CPUC's CEDARS reporting system.[9]

Guidance Letter from the Energy Division

On March 11, 2020, the Energy Division provided additional guidance to the IOUs in response to specific challenges experienced in the market, as raised through the semi-annual CPUC-hosted public workshops to identify process improvements directed at the following issues:

Solicitation Schedules

- Allocate up to 12 weeks from RFA release to notify bidders of invitation to respond to RFP.
- Allocate up to 15 weeks from RFP release to notification to bidders' invitation to Contract negotiation.
- Execute Contract 12 weeks after an invitation to Contract negotiation unless the IOU is conducting multiple negotiations within the same solicitation, the program is complex, or the Contract addresses challenging elements.
- Update the solicitation schedules in the next quarterly update.

RFA Guidance

- Adhere to the intent of the RFA stage explained in Decision 18-01-004.
- Refrain from requesting excessive detail in the RFA stage.

IOU Communication to Bidders

- Notify bidders of the status of the solicitation throughout the entire process.
- Provide better feedback to bidders by delivering on their commitments made in response to stakeholder requests.
- Provide non-advancing bidders notification if their abstracts/proposals did not advance due to an incomplete or non-conforming submission, a violation, or an unmitigated conflict of interest.

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[7] Decision 18-01-004, OP 1.

[8] CPUC Letter to IOUs regarding the "Request for Extension of Time to Comply with Ordering Paragraph 4 of Decision 18-05-041", November 25, 2019.

[9] Decision 18-01-004, OP 8.

- After the June 30 and September 30, 2020, deadlines are met, the Energy Division encourages the IOUs to make feedback available to bidders notified before the date of this letter that they did not advance to the next stage of solicitations.

Energy Efficiency Portfolio Segments & Total System Benefits

In Decision 21-05-031, the CPUC approved significant changes to EE policy, most notably adopting a new metric for EE programs called Total System Benefit (TSB) and segmenting the EE portfolios into programs whose primary purposes are Resource Acquisition, Market Support, or Equity.[10] Program Administrators are required to apply the TSB metric to program years 2024 and beyond.[11] Generally, IOUs will conduct a solicitation for programs within one of these portfolio segments. A summary of the key objectives for each portfolio segment is presented below.

- **Resource Acquisition** – Programs with a primary purpose of, and a short-term ability to, deliver cost-effective avoided cost benefits to the electricity system. Short-term is defined as during the approved budget period for the portfolio. This segment should make up the bulk of savings to achieve TSB goals.
- **Market Support** – Programs with a primary objective of supporting the long-term success of the EE market by educating customers, training contractors, building partnerships, or moving beneficial technologies towards greater cost-effectiveness.
- **Equity** – Programs with a primary purpose of serving hard-to-reach (HTR) or underserved customers and disadvantaged communities (DAC) in the advancement of the Commission's Environmental and Social Justice Action Plan; the objectives of such programs may include increasing customer safety, comfort, resiliency, and/or reducing customers' energy bills.

Single- or Two-Stage Solicitation Approaches

Effective February 3, 2023, the CPUC allows the IOUs to launch either a single- or two-stage solicitation approach for soliciting third-party-program design and implementation services as part of the EE portfolio. The IOU is required to provide the rationale for conducting either a single- or two-stage solicitation to its PRG.[12]

C. Overview of Solicitations

This report represents a collection of individual IE assessments for SoCalGas' active program solicitations. The report also provides an overview of solicitation activities and a high-level summary of issues and potential recommendations gleaned from the individual IE assessments for ease of review. The report does not address program solicitations for which SoCalGas has yet to release an RFA.

Table C.1 lists SoCalGas' current third-party solicitations, including a breakdown of each solicitation, assigned IE, and status.

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[10] Decision 21-05-031, OP 2.
[11] Id, OP 1.
[12] Decision 23-02-002, OP 7.

Table C.1: Solicitations Overview		
Solicitations	**Assigned IEs**	**Solicitation Status**
Local Residential Single Family	The Mendota Group	Completed
Local Residential Multifamily	The Mendota Group	Completed
Local Small and Medium Commercial	Don Arambula Consulting	Completed
Local Small and Medium Public	Apex Analytics	Completed
Statewide Point-of-Sale Food Service	MCR Corporate Services	Completed
Statewide Midstream Water Heating	MCR Corporate Services	Completed
Statewide Gas Emerging Technologies	Don Arambula Consulting	Completed
Local Residential Manufactured Homes	Apex Analytics	Completed
Local Large Commercial	Don Arambula Consulting	Completed
Local Agricultural	MCR Corporate Services	Completed
Local Behavioral (Residential, Business)	Apex Analytics	Completed
Local Industrial	Don Arambula Consulting	Contract Executed
Local Outreach	Apex Analytics	Completed
Local Large Public	Apex Analytics	Completed
Retail Channel Support	MCR Corporate Services	Completed
Local Nonresidential Energy Advisor	MCR Corporate Services	Completed
Local Multifamily Whole Building	Apex Analytics	Completed
Local Marketplace	Don Arambula Consulting	Completed
Local HERS Rater Training	MCR Corporate Services	Completed
Local IDEEA 365	Don Arambula Consulting	Pre-RFP

Legend:
Pre-RFA: Activities conducted before RFA release.
RFA: Includes bid preparation and evaluation period.
Pre-RFP: Activities conducted before RFP release.
RFP: Includes bid preparation and evaluation period.
Contracting: Contract negotiations are being held.
Contract Executed: Both parties signed the contract.
Completed: All solicitation activities have been concluded.
Suspended: Solicitation held until a later date.
Canceled: Solicitation was withdrawn; scope may be included in a future solicitation.

Since starting the third-party solicitation process in late 2018, SoCalGas has executed the contracts listed in Table C.2. These executed contracts represent third-party programs that may be eligible towards SoCalGas' minimum third-party program threshold requirements as directed by the CPUC in Ordering Paragraph 4 of Decision 18-05-041.

Table C.2: Summary of Executed Contracts					
Solicitation	**Implementer**	**Program Name**	**Contract Execution Date**	**Total Contract Value**	**Diverse Business Enterprise (DBE) %[13]**
Local Small and Medium Commercial	Franklin Energy Services	Small and Medium Commercial Energy Efficiency Program	September 24, 2020	$4,499,999	9.6%

[13] The DBE spend is an estimate from the Contracts to show the percentage of the budget that is forecasted to be contracted and/or subcontracted with DBE firms. Actual DBE spend will be reported by the IOU per General Order 156. 100% DBE indicates the Implementer is a qualified DBE. These programs may contain significant levels of customer incentives that are not eligible for DBE classification.

Table C.2: Summary of Executed Contracts					
Solicitation	Implementer	Program Name	Contract Execution Date	Total Contract Value	Diverse Business Enterprise (DBE) %[13]
Local Small and Medium Commercial	ICF Resources, LLC	C-BEST Program	August 31, 2020	$5,996,023	10.4%
Local Residential Single Family	Synergy Companies	Residential Advanced Clean Energy Program	September 21, 2020	$9,000,000	42%
Local Residential Single Family	Global Energy Services, Inc.	Community Language Efficiency Outreach Program	September 21, 2020	$2,994,250	100%
Local Residential Multifamily	ICF Resources, LLC	Multifamily Energy Alliance Program	September 21, 2020	$5,999,990	12.4%
Local Residential Multifamily	Energx Controls, Inc.	Multi-Family Space and Water Heating Controls Program	December 23, 2020	$1,338,039	20.7%
Local Small and Medium Public	Synergy Companies	Small-Medium Public Program	August 31, 2020	$6,000,000	42%
Statewide Point-of-Sale Food Service	Energy Solutions	California Foodservice Instant Rebates Program	November 23, 2020	$46,826,772	6.8%
Statewide Midstream Water Heating	DNV Energy Services USA, Inc.	Statewide Midstream Water Heating Program	November 20, 2020	$45,840,873	20.3%
Local Agricultural	ICF Resources, LLC	Agriculture Energy Efficiency (AgEE) Program	December 14, 2020	$8,996,359	0.7%
Large Commercial	Willdan	Large Commercial Program	December 17, 2020	$12,350,000	40%
Local Manufactured Homes	Synergy Companies	Comprehensive Manufactured Homes Program	December 21, 2020	$4,800,000	42%
Large Commercial	Enovity, Inc.	Service RCx+ Large Commercial Program	December 23, 2020	$2,650,000	0%
Local Manufactured Homes	Staples & Associates	Residential Manufactured Homes Program	December 23, 2020	$2,700,000	13.3%
Statewide Gas Emerging Technologies	ICF Resources, LLC	Statewide Gas Emerging Technologies Program	June 24, 2021	$8,880,804	21%
Local Behavioral	Oracle	Customer Usage and Therm Engagement Program	October 29, 2021	$9,279,600	31%
Local Behavioral	Bidgely	Performance-Based Next Gen HERs for All	November 1, 2021	$2,078,883	0%

Table C.2: Summary of Executed Contracts					
Solicitation	Implementer	Program Name	Contract Execution Date	Total Contract Value	Diverse Business Enterprise (DBE) %[13]
Local Behavioral	Bidgely	Performance-Based Next Gen HERs for Small Business	December 23, 2023	$1,672,125	0%
Local Outreach	Global Energy Services	Disadvantaged Communities Outreach Program	May 3, 2022	$2,700,000	100%
Local Large Public	Energy Infrastructure Partners	Large Public Sector Program	October 12, 2022	$4,882,770	100%
Local Industrial	Wildan	Refinery Gas Energy Efficiency	December 19, 2022	$24,629,078	0%
Local Retail Channel Support	ICF Resources, LLC	Retail Channel Support Program	December 22, 2022	$2,997,250	10%
Local Nonresidential Energy Advisory	Richard Heath & Associates	Business Energy Efficiency Survey	December 27, 2022	$2,315,750	100%
Local Multifamily Whole Building	Richard Heath & Associates	Comprehensive Multifamily Incentive Program	December 28, 2022	$18,000,000	100%
Local Industrial	Cascade Energy	I2i SEM	December 28, 2022	$6,800,000	13.36%
Local Industrial	Cascade Energy	I-STAR	December 28, 2022	$5,500,000	13.42%
Local Industrial	CLEAResult	Industrial Energy Partners	December 28, 2022	$24,600,000	37.30%
Local Marketplace	Enervee	Local SoCalGas Marketplace powered by Enervee	December 29, 2022	$4,851,400	0%
Local HERS Rating Training	CHEERS	HERS Training by CHEERS	December 30, 2022	$1,350,000	0%
Total				**$280,529,965**	

D. IE Assessment of Solicitations

Table D.1 presents key observations from the individual IE reports on specific solicitations, as further detailed in Attachment II. Corresponding details about each observation are also provided in Table D.1, including a summary of IE recommendations and outcomes.

Table D.1: IE Observations and Outcomes			
Topics	**Key Observations**	**IE Recommendations**	**Outcomes**
Implementation Plan (IP)	SoCalGas did not allow the IE to review the edited Draft IP prior to the Stakeholder Workshop to ensure IE comments were addressed. As a result, PRG members raised the same issues at the workshop that the IE had addressed in Round 1 comments.	The IE believes that in future solicitations, the IE should have an opportunity to review a revised Draft IP prior to its presentation at the Stakeholder IP Webinar. With this, the IE can better ensure that the Draft IP presented by the implementer addresses the IE's concerns and provides stakeholders with sufficient program information to understand and appraise the program.	New recommendation.
[redacted]	[redacted]	[redacted]	New recommendation (as of January 2023).
Changing Timelines	As a result of relying on unrealistic timelines and expectations, SoCalGas made several last-minute changes to its schedule for presenting the draft Contract to the PRG. This impacted both the IE and PRG reviews of the Contract, and the PRG did not receive the Contract when they expected it.	IOUs should follow the PRG Guidance on review times and plan schedules accordingly.	New recommendation (as of December 2022).

Table D.1: IE Observations and Outcomes			
Topics	**Key Observations**	**IE Recommendations**	**Outcomes**
Inserting the IE Into the Negotiations Process	SoCalGas sent the assigned IE's comments on the Contract package to the bidder and identified them as the IE's comments. This IE is concerned that this practice unnecessarily takes the IE out of its independent monitoring role and puts it in the middle of the IOU's negotiation with its bidder.	The IOUs should consider comments and recommendations from the IEs and PRG and develop their position on sharing them with the bidder as part of their negotiation. It would be helpful for the PRG to clarify this issue and consider including guidance in the next round of the PRG Guidance Document.	New recommendation (as of December 2022).
Prioritization of Contracting Goals	The PRG and the assigned IE communicated their stances on several issues to SoCalGas throughout the solicitation and Contract negotiation processes. SoCalGas repeatedly agreed with this input verbally but could not reflect that guidance meaningfully in the Contract.	SoCalGas needs to understand that it is far more important to negotiate a solid Contract with a good chance of accomplishing the solicitation's goals at a lower risk to ratepayers than to meet a deadline.	New recommendation (as of December 2022)
Contract Negotiations	The language about the cost for services that SoCalGas provides under the Contract is vague and only provides an expected cost but not an hourly rate, yet bidders are expected to pay these costs as a Contract expense.	SoCalGas should develop a range or estimate per hour or unit to provide bidders more transparency.	New recommendation.
SoCalGas Account Executive Support	Based on the discussions between SoCalGas and the bidders, the use of SoCalGas' account executive (AE) staff by the implementers is likely to result in much more cost-efficient customer recruitment due to the AEs' intimate knowledge of the customer operations, decision-making process, and the overall trusted relationship with the IOU and customer.	Future program evaluation efforts should study the effectiveness of using IOU AEs in program recruitment for high-touch customer engagements.	New recommendation directed at SoCalGas and the CPUC.

Table D.1: IE Observations and Outcomes			
Topics	**Key Observations**	**IE Recommendations**	**Outcomes**
Annual Carryover of Committed Funds	Given the longer-term nature of the financial commitments with this comprehensive offering, the program's expected financial commitments will likely need to be addressed at the end of	In the future, SoCalGas could amend the Contract to define a financial commitment, which may help the implementer manage its budget.	SoCalGas will address the carryover of program funds in its budget advice letter.
[redacted]			
Contract Package Review	SoCalGas changed its schedule in December 2022 and requested an expedited Contract review from the IE and an off-cycle review from the PRG on short notice.	The IE (and PRG) advised SoCalGas to abide by the timelines established in the PRG Guidelines for IE and PRG review of documents.	New recommendation.

E. IOU Emerging Effective Practices

Effective practices reported in Table E.1 reflect individual IE assessments of their assigned solicitations and are not consensus recommendations of all IEs. Some apply only to certain types of solicitations (e.g., cost-effectiveness requirements are typically applicable to only resource acquisition solicitations) or were effective because of the circumstances of a particular solicitation. The IEs recommend that the IOU considers the applicability of these to its future solicitations. Where the practice reported has been broadly applicable and adopted by all IOUs, it has been added to the PRG Solicitation Guidelines.

Table E.1: Effective Solicitation Practices		
Emerging Effective Practice	**IE Analysis**	**Initial Date**
Collaborative Negotiations	Collaborative negotiations focus on improving the program offering, a primary consideration in Contract negotiations.	December 2020
Multiple Rounds of Q&A	SoCalGas provides more than a single round of Q&A, allowing bidders to provide follow-up questions and affords bidders more opportunities to ask questions.	December 2020
Contract Negotiations	SoCalGas utilizes an Excel-based comment tracker to record proposed changes and responses to the initial draft Contract. The tracker lets both parties quickly identify proposed changes and record the outcome and rationale.	December 2020
Bidders' Conference	SoCalGas uses a new conference system for improved features such as attendee tracking, recording, and integrated Q&A. It is helpful information and provides a good foundation for new market entrants.	June 2021

Table E.1: Effective Solicitation Practices		
Emerging Effective Practice	IE Analysis	Initial Date
Solicitation Kickoff Meeting	SoCalGas hosts a solicitation kickoff meeting with the assigned IE, program staff, and solicitation staff to discuss the solicitation and understand the current program structure and SoCalGas' solicitation goals. The meeting helps align the SoCalGas team early in the solicitation and makes the RFA package review more efficient.	June 2021
Contract Negotiations	SoCalGas instituted a good practice of distributing notes of each negotiation session soon afterward, which allowed both parties to remain in step.	June 2023

F. PRG Feedback

The IOU generally accepted the PRG recommendations during this reporting period. Individual reports reflect specific PRG feedback and the IOU's responses. For a greater discussion of the PRG and IE recommendations, refer to the individual IE solicitation reports in Attachment II.

G. Stakeholder Feedback from CPUC Workshops

March 2023 Workshop

The CPUC, in Decision 18-01-004, requires that its Energy Division host semi-annual workshops through the end of 2022 to "allow for information discussion and problem-solving among stakeholders about the progress of the third-party solicitations and for consideration of the semi-annual IE reports."[14] Decision 23-02-002 modified the requirement to at least once per year. The last stakeholder meeting was held on March 16, 2023. It was a virtual meeting lasting from 8:30 a.m. to 12:15 p.m. with 67 attendees.

As was the case for past sessions, this session focused on recapping all EE third-party solicitations and IE observations from the last Semi-Annual Reports, but with a particular focus on forward-looking changes based on the February 2023 decision. The workshop provided an opportunity for stakeholders to ask questions, provide comments, and receive updates on past and future solicitations and utility and CPUC plans moving forward. Participants included PRG members, IEs, CPUC Energy Division staff, IOUs, program implementers, prospective bidders in solicitations, and other stakeholders. The meeting presentations, agenda, and notes are available on the California for Energy Efficiency Coordinating Committee's (CAEECC) website.[15]

The topics presented included the following:

- **Workshop Opening Remarks and EE Decision and Trends:** The Energy Division outlined the workshop purpose and goals and provided an update on the solicitations process. This included an overview of the latest CPUC decision regarding single- and two-stage solicitations and trends with smaller solicitations that included Equity and Market Support.
- **IE Presentation on the Semi-Annual Reports:** A representative from the IE pool

[14] Decision 18-01-004, OP 26.

[15] https://www.caeecc.org/cpuc-third-party-public-meetings

presented observations for each IOU noted from the most recent Semi-Annual Reports (October 1, 2022, through March 31, 2023). Topics discussed included emerging effective practices across all IOUs, and discussion questions centered around the most optimum time to run cost-effectiveness tools (CET), ways to encourage more competition and engage small business enterprises (SBE) and DBEs, and risk sharing regarding Cybersecurity insurance.

- **IOU Portfolio Updates and Upcoming Solicitations:** Each of the four IOUs provided updates on executed contracts and how they fit into their portfolios; status of contracts meeting the 60-percent threshold requirement; process improvements; and changes made to future solicitations based on the new EE decision.
- **California Energy Efficiency + Demand Management Council (CEDMC) Member Panel**: The panel of CEDMC members, representing three third-party program implementers, continued the discussion of the value of individual bidder feedback; supplier diversity goals and opportunities for continued improvement; key performance indicator (KPI) updates; and performance assurance requirement reductions.
- **IE Panel**: The Energy Division facilitated a panel to garner IE perspectives on the progression of the third-party solicitations and how this should inform emerging and future efforts. Topics discussed by the four-member panel included the topics of single- or two-stage solicitations; ways to encourage and facilitate more small and diverse business enterprise participation in solicitations and implementation; and compensation structures for Equity and Market Support programs.
- **Open Discussion** yielded questions and recommendations from stakeholders and other attendees and focused mainly on encouraging and reporting out on DBE/SBE involvement in the implementation of programs.

Seventeen individuals participated in the post-event survey and were very supportive of the event and the information shared and learned. There was general support for each of the sessions as well as the time allocated for the event, with a focus on providing more opportunities for stakeholder participation and discussion.

The next stakeholder meeting is not currently scheduled because the CPUC has modified the requirement from twice to once per year.

Attachment II: Individual Energy Efficiency Independent Evaluators' Semi-Annual Reports

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

LOCAL INDUSTRIAL SECTOR SOLICITATION

Reporting Period: October 2022 through March 2023

Prepared by:
Don Arambula Consulting

Disclaimer: This Report includes sensitive and confidential information.

Local Industrial Sector Solicitation

1. Solicitation Overview

The Semi-Annual Report on the Local Industrial (Industrial) program solicitation covers the period between October 2022 through March 2023.

1.1. Overview

In the solicitation, SoCalGas asks the bidder community to propose an innovative resource-based comprehensive EE program(s) for industrial customers in SoCalGas' service territory. SoCalGas explained that the industrial customer sector represents nearly 25% of the natural gas consumed by SoCalGas customers.[16]

a. Scope

The industrial sector usage is dominated by very large customers (>250k therms) that consume just over 86% of the natural gas within the industrial sector. Due to the size and scope of the industrial sector, SoCalGas requested bidders submit a proposal(s) based on the following industrial segment groupings:

- Refineries
- Food/Beverages
- Minerals/Metals/Plastics
- Textiles/Wood/Paper/Printing/Mining/Aerospace/Machinery/Asphalt/Cement/Water/Other

SoCalGas allowed bidders to propose a program design that serves one or a combination of segment groupings. SoCalGas expressed its plan to award contracts based on these segments noting that bidders could be awarded multiple segments based on proposal submission. SoCalGas pledged to work with the selected bidders to avoid program overlaps among the same customer groups or geographical locations.

b. Objectives

The solicitation's objective was to procure an innovative program(s) that could assist SoCalGas in achieving its portfolio and sector-level metrics related to industrial customers, including HTR customers and those customers that operate in DACs within SoCalGas' service territory.[17]

1.2. Timing

The timing of the program solicitation release (i.e., the first quarter of 2021) was consistent with the schedule presented to the bidder community through the [CAEECC site](). The RFA and RFP stages stayed on schedule. However, during the selection and Contract negotiations phases, SoCalGas encountered significant delays to the schedule. SoCalGas should adhere to its schedule in future solicitations to avoid such delays. The IE Report offers various suggestions to help the IOU stay on schedule during these phases.

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[16] This does not include wholesale gas customers.
[17] See Exhibit A5, RFA Terminology, for the definition of HTR customers and DAC areas within SoCalGas' service territory.

Unless otherwise indicated, all milestones were met or on schedule. Table 1.1 below includes key milestones for this program solicitation.

Table 1.1: Key Milestones		
Milestones	**Completion Date**	**Duration**
RFA Stage		
1. RFA Released	March 19, 2021	11 weeks
2. Optional Bidder Conference	March 24, 2021	
3. Bidder Questions Due	March 31, 2021	
4. Responses to Bidder Questions Due	April 7, 2021	
5. Bidder Abstract Submission Due	April 23, 2021	
6. Bidders Notified-Advancement to RFP Stage	June 8, 2021	
RFP Stage		
1. RFP Released	July 16, 2021	26 weeks
2. Optional Bidder Conference	July 21, 2021	
3. Bidder Questions Due Round 1	July 27, 2021	
4. Responses to Bidder Questions	August 2, 2021	
5. Bidder Questions Due Round 2	August 5, 2021	
6. Responses to Bidder Questions	August 10, 2021	
7. Bidder's Proposal Due	August 27, 2021	
8. Notification Selection	January 7, 2022 *	
Selections & Contracting Stage		
1. Contract Negotiations Begin	January 10, 2022 *	51 weeks
2. Contract Execution Dates		
i2i SEM	December 28, 2022 *	
I-STAR	December 28, 2022 *	
IEP	December 28, 2022 *	
RGEEP	December 19, 2022 *	
Contract Approval and Program Rollout		
1. Company Advice Letter Filing **	January 2023 *	14 weeks **
2. CPUC Contract Approval **	Q1 2023 *	
3. Contract Issued (Notice to Proceed) **	Q1 2023 *	
4. Implementation Plan Uploaded to CEDARS **	Q1 2023 *	
5. Full Program Roll Out **	Q2 2023 *	

* - Delayed from the original schedule.
** - Estimated.

1.3. Key Observations

Overall, we find that the solicitation successfully procured programs specifically tailored to meet the spectrum of industrial customer segments, including HTR customers and those customers that operate in DACs within SoCalGas' service territory. SoCalGas' conduct and management of the EE program solicitation were fair, equitable, and transparent. The IE encourages the IOU to employ improved project management strategies (e.g., written meeting agendas with identified deliverables, etc.) to help expedite future contract negotiations.

SoCalGas allowed the IE to monitor all aspects of the solicitation, from developing the initial RFA materials to contract negotiations. Throughout the solicitation, the IE provided feedback to the IOU on various activities, such as RFA and RFP development, bidder instructions, scorecards, and bidders' questions and answers. SoCalGas was generally responsive to the IE's feedback throughout the solicitation.

During the solicitation, the IE shared recommendations with the IOU and the PRG. The IOU had an opportunity to review, consider, accept, or reject the IE recommendations. As part of this IE Report, the IE offers additional recommendations for the IOU to consider in future solicitations. Table 1.2 presents the IE's key recommendations and the IOU's responses during the solicitation.

Table 1.2: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
Negotiations and Contracting			
Timely Contract Negotiations	The 26 weeks of negotiations surpassed the PRG recommendation to complete contract negotiations within 12 weeks. SoCalGas attempted to negotiate parallel contracts with other industrial bidders during this period. This approach likely extended the contract negotiations phase. At times, negotiating parties did not have the appropriate personnel, further delaying negotiations.	The IOU should commit to the necessary staffing to support negotiations and create a project schedule with weekly agendas and discrete objectives. A project schedule will enable both parties to make the appropriate and necessary resources available when called upon during each negotiation session.	New recommendation.
SoCalGas Account Executive (AE) Support	Based on the discussions between SoCalGas and the bidders, the use of SoCalGas' AE staff by the implementers is likely to result in much more cost-efficient customer recruitment due to the AEs' intimate knowledge of the customer operations, decision-making process, and the overall trusted relationship with the IOU and customer.	Future program evaluation efforts should study the effectiveness of using IOU AEs in program recruitment for high-touch customer engagements.	New recommendation directed at SoCalGas and the CPUC.
Parallel Contract Negotiations	The IOU negotiated four contracts for the industrial sector solicitation. SoCalGas addressed similar issues among all bidders.	In future negotiations, as SoCalGas agrees to contract changes (e.g., payment terms) in negotiations with one party, such changes should be introduced by SoCalGas in other parallel contract negotiations. This approach helps to ensure consistency throughout multiple concurrent contract negotiations.	New recommendation.

Table 1.2: Key Issues and Observations			
Topics	**Key Observations**	**IE Recommendations**	**Outcomes**
IOU Presentations to the PRG	SoCalGas presented the general status of contract negotiations to the PRG at monthly PRG meetings throughout contract negotiations. The IE also presented a comprehensive list of emerging issues to the PRG at the monthly meetings.	In future solicitations, SoCalGas should strive to share more details during the PRG monthly meetings on ongoing contracting issues emerging during the negotiations.	New recommendation.
Annual Carryover of Committed Funds	Given the longer-term nature of the financial commitments with this comprehensive offering, the program's expected financial commitments will likely need to be addressed at the end of every program year.	In the future, SoCalGas could amend the Contract to define a financial commitment, which may help the implementer manage its budget.	SoCalGas will address the carryover of program funds in its budget advice letter.
Strategic Energy Management (SEM) Six-Year Project Cycles	The proposed Contract funds the i2i SEM Program for only five years.	Given the necessary time to recruit customers into the cohorts and the three-cycle, six-year SEM guideline requirement, the Contract should stipulate that if the program is successful and the CPUC authorizes future funding, the program may continue.	SoCalGas intends to extend the contract upon CPUC's approval of its proposed funding application. However, SoCalGas cannot commit funds to implementers beyond the CPUC's current authorized funding period.
Targeting Disadvantaged Communities	Some contracts assign a specific key performance indicator that encourages the implementer to target facilities in DACs.	The applicable final Implementation Plans should present more details of how the programs will reach out to DAC customers and how the programs will confirm that the facility meets the DAC definition set by the CPUC.	New recommendation.

[redacted]

2. RFA Bidder Response and Selections

This solicitation activity was reported in the April 2021 through September 2021 Semi-Annual Report.

3. RFP Bidder Response and Selections

This solicitation activity was reported in the April 2021 through September 2021 Semi-Annual Report.

4. Contracting & Assessment: Cascade – i2i Strategic Energy Management Program

SoCalGas held contract negotiations with Cascade on their proposed i2i Strategic Energy Management (SEM) Program. The proposal received one of the highest scores and met the solicitation objectives for a cost-effective, innovative program that addressed SoCalGas' industrial sector with a unique SEM offering.

4.1. Contract Negotiations

From February through December 2022, SoCalGas held 15 meetings with Cascade on the i2i SEM proposal and exchanged several Contract turns via email. The parties discussed various topics, from compensation to IOU-enhanced services to customer data requirements.

The 26 weeks of negotiations surpassed the CPUC's expectation that contract negotiations should conclude within 12 weeks. SoCalGas attempted to negotiate parallel contracts with other industrial bidders during this period. At times, negotiating parties did not have the appropriate personnel available, further delaying negotiations. If SoCalGas conducts multiple negotiations within a program solicitation in the future, the IOU should commit to the appropriate program staffing to support such negotiations and create a project schedule with weekly agendas and discrete objectives. A project schedule would enable both parties to have the necessary resources (e.g., engineering, legal, etc.) available when called upon during the negotiations.

a. Collaboration on Final Program Design and Scope

In Decision 16-08-019, the CPUC allows the IOU and the selected bidder, after program selection, to collaborate on the ultimate program design implemented by the third party.[18] Collaboration enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offers. Contract negotiations are also the time for the bidder to share greater levels of program details and to address any IOU concerns regarding the program design and delivery.

SoCalGas and Cascade addressed contract issues during negotiations, including compensation, cohort design and delivery, invoicing, customer incentives, customer data access, and discounted program costs for shared electric and gas customers. SoCalGas and Cascade also discussed improving the proposed program delivery by leveraging the IOU's account executive to outreach to very large customers regarding the benefits of the SEM offering. Table 4.1 is a summary of key negotiated items.

[18] Conclusion of Law 57.

Table 4.1: Key Contract Negotiation Topics	
Topic	**Discussion and Agreement**
[redacted]	
SoCalGas Account Executive Support	Parties spent several meetings discussing SoCalGas' AE-enhanced support services. Cascade's familiarity with SoCalGas' AE from previous programs led to a deeper discussion regarding discrete AE-enhanced support services and personnel. Ultimately, parties agreed that AEs would focus their support on initial customer outreach and recruitment. [redacted] Overall, Cascade appeared very satisfied with the outcome and believed SoCalGas' AE support is integral to the program's success. Based on the discussions between parties and Cascade's previous experience with SoCalGas AEs, the AE-enhanced services are likely to result in much more cost-efficient customer recruitment due to the AEs' intimate knowledge of the customer operations, decision-making process, and the overall trusted relationship with the IOU and customer. Future program evaluation efforts should study the effectiveness of using IOU AEs in program recruitment for high-touch customer engagements.
Cohort Activities	SoCalGas requested a detailed listing of all SEM program activities across all cohorts to understand the proposed program better and enable [redacted] Cascade provided a detailed table by cohort, task, and cost across the multiple program years.
Invoicing by Cohort by Task	SoCalGas requested a detailed cost estimate for each cohort by task. [redacted]
Payment of Customer Incentives	SoCalGas requested that Cascade, as the program implementer, promptly pay the customer any incentives owed to them. Cascade, concerned about cash flow, could not agree to pay customer incentives until it received payment from SoCalGas. SoCalGas agreed to pay Cascade's customer incentive invoices within 30 days to accommodate Cascade's request. In turn, Cascade agreed to pay the customer the incentive within 30 days after receipt of payment from SoCalGas.
Access to Customer Data	SoCalGas will provide customer usage data to Cascade, enabling the implementer to monitor the ongoing impact of SEM energy savings. Cascade was very appreciative of SoCalGas' willingness to adjust its data transfer frequency to support Cascade's monitoring and reporting systems. We note such accommodations are rarely discussed in negotiations but are necessary for data-intensive programs such as SEM.

Table 4.1: Key Contract Negotiation Topics	
Topic	**Discussion and Agreement**
Discounted Program Costs	For projects involving SoCalGas and SCE or PG&E SEM offerings, Cascade agreed to reduce costs related to shared activities (e.g., travel, outreach, etc.). These cost savings were insignificant as Cascade identified no shared cost opportunities for implementing EE projects. The IOU should monitor program activity, especially with shared EE projects with Cascade's Industrial Systems Optimization Program[19] offering under PG&E's EE portfolio.

b. Fairness of Negotiations

Overall, the contract negotiations were fair and transparent. The contract negotiations resulted in a contract that closely resembled the scope of the bidder's proposal. SoCalGas reduced the overall proposed budget, which allowed the IOU to address other industrial customer groups with other third-party programs beyond the very large customers targeted by Cascade. The following are changes to the budget and key program metrics due to the contract negotiations.

Table 4.2: Proposed vs. Final Agreement		
	Proposed	**Contracted**
EE Budget	$11,474,526	$6,800,000
Energy Savings, Therms, net	3,902,850	2,187,316
Total System Benefits (TSB)	$34,462,083	$15,760,296
TRC Ratio	3.03	2.23

c. Changes to Contract Terms & Conditions

To comply with CPUC directives, SoCalGas provided the bidder with standard and modifiable CPUC terms and conditions at the start of contract negotiations.[20] The IE reviewed all documents and confirmed that the Contract includes the CPUC's standard terms and conditions. The IOU also proposed a set of additional terms and conditions. These other terms do not conflict with the CPUC standard terms and conditions, as SoCalGas, in response to the IE's recommendation, provided an additional contract term that clarified that the CPUC standard terms and conditions take precedence over any potentially conflicting terms in the Agreement. The IOU and the bidder agreed to all terms and conditions. The IE reviewed the Contract against the PRG's Contract Checklist and found no issues with SoCalGas' contract.

d. Insurance Requirements

After the parties completed negotiations on the Contract's statement of work, SoCalGas aligned [redacted] The insurance requirements seem reasonable based on the program scope, which includes regularly sharing customer data and energy advice to the customer on their business operations. The IE confirmed SoCalGas' aligned the Contract's insurance requirements with other industrial contracts being negotiated concurrently by SoCalGas.

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[19] Industrial Systems Optimization Program (pge.com)

[20] Decision 18-10-004, OP 7.

e. *Conformance with CPUC Policies and Objectives*

The table below summarizes how the program elements align with those CPUC policies and other PRG recommendations that the contracted program should support.

Table 4.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
IOU should develop a standard contract template with CPUC standard terms to be compliant with applicable CPUC policies, decisions, or specific directives, consider PRG and IE feedback, and not use language/concepts that are inappropriate or typically not used in the EE industry. (PRG Guidance on Contracting, Section 6.1.1)	See Section 4.1.c.
The Contract must include all CPUC standard (non-modifiable) contract terms in the contract. (6.1.2)	See Section 4.1.c.
The Contract includes CPUC modifiable contract terms as a starting point. (6.1.3)	See Section 4.1.c.
Other aspects of the contract template do not conflict with CPUC terms and conditions, policies, decisions, or direction. (6.1.4/5)	See Section 4.1.c.
IE pool reviews standard contract template and provides comments. (6.1.6)	Confirmed. The IE reviewed the contract template. The IE recommended that the IOU include an additional term that specifies that the CPUC standard terms and conditions take precedence over all contract terms. The IOU accepted this recommendation.
IOU must present its contracting negotiation process to the IE/PRG for review. (6.2.1)	Confirmed. The IOU informed the IE and PRG of the process and approach to the contract.
IEs should monitor all bidder communications during the negotiation process. (6.2.2)	Confirmed. The IE was included in all bidder communications and attended all meetings.
IOUs should explain their contracting process to selected bidders. (6.2.3)	Confirmed. The IOU presented the contracting process to the bidder at the initial meeting.
Before execution, the assigned IE and PRG should review the final contracts for each Program recommended for award. (6.3.1)	Confirmed. The IE reviewed the final contracts.
A reasonable number of KPIs.	Confirmed. The Contract includes six KPIs addressing program performance, management, DBE spending, customer satisfaction, and participation in DACs.
KPIs make sense in terms of measuring, scale, and timeframe.	Confirmed.
The contract includes appropriate performance issue remedies.	Confirmed. [redacted]

Table 4.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
The contract clearly addresses Support Services.	The Contract identifies IOU services (e.g., customer data) it will provide to the implementers. These services are limited to activities (e.g., review of marketing materials, secondary inspections, etc.) expected in the Program Administrator's role. The implementer is not charged a fee for these standard services. The Contract also allows the implementer to receive enhanced customer outreach and program recruitment by SoCalGas' industrial account executives.
Innovative aspects of the Program are retained.	Confirmed.
If applicable, IDSM components are included.	The implementer will assist the customer in identifying IDSM opportunities within the customer facilities.
If applicable, program considerations for HTR and DACs are incorporated.	Confirmed. The Contract includes a program participant goal to promote EE to customers located in DACs.
The changes proposed by the IOU and the implementer were reasonable and fair.	Confirmed.

f. *Uniformity of Contract Changes*

The IOU negotiated four contracts for the industrial sector solicitation. SoCalGas addressed similar issues among all bidders, including reduced program costs for shared electric and gas customers, compensation, SoCalGas enhanced account executive support, insurance requirements, terms and conditions, [redacted] Overall, SoCalGas treated each of the contracts consistently. In future negotiations, as SoCalGas agrees to contract changes (e.g., payment terms) in negotiations with one party, such changes should be introduced by SoCalGas in other parallel contract negotiations. This approach helps to ensure consistency throughout multiple concurrent contract negotiations.

4.2. Final Selection

SoCalGas made its final selection based on the outcome of its proposal evaluations and rankings. SoCalGas concluded that Cascade could offer a unique SEM strategy for very large customers across various industrial segments. SoCalGas also considered Cascade's team capabilities, past program successes, and proposed an SEM design ideal to address SoCalGas' very large customer group.

4.3. Contract Execution

SoCalGas executed the i2i SEM Program Contract with Cascade on December 28, 2022. The Contract will be effective upon CPUC's approval of the executed contracts. At such time, the implementer may begin initial program tasks, including developing the Program's Implementation Plan, which SoCalGas forecasts to complete during Quarter 1 of 2023.

4.4. PRG and IE Feedback to Contracting

The IOU sought and considered PRG and IE feedback throughout the contracting process. As previously stated, SoCalGas' standard contract agreement met the PRG contracting recommendations. The IE actively monitored all contract negotiations. The IOU also met with the IE to discuss emerging contracting issues throughout the contracting phase. Section 4.1 of this Report addresses many of these issues.

SoCalGas presented the general status of contract negotiations to the PRG at monthly PRG meetings throughout contract negotiations. The IE also presented a comprehensive list of emerging issues to the PRG at the monthly meetings. In future solicitations, SoCalGas should strive to share more details during the PRG monthly meetings on ongoing contracting issues emerging during negotiations.

Both the PRG and IE provided input to SoCalGas on the draft Contract. The PRG provided various comments on the draft Contract, which SoCalGas agreed to incorporate. The following lists key PRG and IE recommendations along with SoCalGas' responses.

Table 4.4.a: PRG Contract Recommendations		
Topic	Comment	IOU Response
Preexisting SEM Cohorts	SoCalGas should allow current SEM customers to continue their engagement for potentially deeper energy savings. It would be good to explain how the current and future SoCalGas SEM programs would transition into another while adhering to the SEM Guides.	Since Cascade is also the current SEM implementer for SoCalGas, it will be an easy transition between Cascade's current and future contract and program activities. SoCalGas may keep Cascade's preexisting contract open to continue ongoing SEM cohorts.
Compliance with SEM Guide Book	The Contract should direct the implementer to follow the SEM Guides' methodology for calculating savings.	Yes. The Contract requires the implementer to detail how they will comply with the SEM Guides for the energy savings calculations in the Program's M&V Plan.
Six-Year SEM Customer Engagement	The SEM Guides require a six-year customer engagement to support the assumed net-to-gross ratio (1.0) and the effective useful life (5 years) assumptions. SoCalGas should determine how the proposed SEM Program will comply with the six-year requirement, given that it is a five-year contract. SoCalGas should address this issue in its advice letter filing.	SoCalGas will address this in its advice letter filing.
Industrial Sector Program Portfolio	SoCalGas should describe its rationale for selecting multiple programs to address its industrial customer sector.	SoCalGas will address this in its advice letter filing.
Total System Benefits (TSB) Metric	IOUs will be held to the TSB standard by 2024. The assumption is that SoCalGas' contracts deliver on that same metric.	SoCalGas' proposed SEM contract includes required annual reporting of the Program's TSB performance.

Table 4.4.a: PRG Contract Recommendations		
Topic	Comment	IOU Response
Enhanced Support Services Costs	The implementer should pay for enhanced support services SoCalGas' customer account management staff provides.	[redacted] SoCalGas will report its enhanced support services monthly expenditures to the implementer.
Future CPUC SEM Guidance	The Contract should clearly state the IOU and the implementer will revise the Program's Implementation Plan to incorporate any applicable CPUC SEM-related guidance developed in the future.	The Contract requires the implementer to adhere to all applicable guidance in the California Industrial SEM Design and M&V Guides.

The IE provided 15 discrete recommendations to SoCalGas on the draft Contract. SoCalGas agreed to accept or partially accept all IE recommendations. Table 4.4.b lists key IE recommendations and the corresponding IOU's responses.

Table 4.4.b: IE Contract Recommendations		
Topic	Comment	IOU Response
Eligibility of Preexisting SEM Cohorts	As written, it implies preexisting customers will be offered an opportunity to extend their current SEM activities under this Contract. The Contract should clearly state whether existing participants are eligible under this Contract.	SoCalGas revised the Contract to clarify that the new i2i SEM Program will be open to only new SEM participants.
Customer Eligibility	The Contract should state whether all very large industrial customers will be eligible to participate in the i2i SEM Program. SoCalGas should avoid potential overlap with the third-party delivered refinery program.	SoCalGas revised the Contract to allow all very large industrial customers not currently participating in a SoCalGas SEM program to be eligible, except for the refinery segment. A separate third-party program implementer will address refinery customers.
Program Innovations	The Contract should clearly state the Program's innovative features. This will allow SoCalGas to monitor the program to confirm that the implementer offers these innovations during the program's delivery.	SoCalGas revised the Contract to detail the Program's innovative qualities.
Coordination with Statewide Water and Wastewater Program	Since the i2i SEM Program may include wastewater facilities, the Contract should require the implementer to coordinate with future Statewide Water and Wastewater Program.	SoCalGas requires the implementer to coordinate with the Statewide Water and Wastewater Program if such a customer shows interest in participating in the i2i SEM Program.

4.5. Assessment of Final Contract

The final Program should be considered third-party proposed, designed, and delivered consistently with CPUC's definition of a third-party program. The final i2i SEM Contract represents the bidder's original program design at a reduced budget level to accommodate the funding of other third-party industrial programs. The Contract complies with all specific CPUC directives related to third-party contracts, including incorporating all standard CPUC terms and conditions without modification. The final KPIs and implementer compensation structure allow the IOU to monitor key program management and performance elements, including achieving pre-established energy savings and cost-effective targets throughout program implementation.

a. Bid Selection Respond to Portfolio Needs

SoCalGas sought to procure an innovative program(s) that reliably captures cost-effective energy savings across SoCalGas' varied industrial customer segments. The i2i SEM will partially serve this need by offering strategic energy management solutions to very large across most industrial segments, including a focus on customer facilities located in DACs.

b. Bid Selection Provides the Best Overall Value to Ratepayers

Introduction

SoCalGas believes Cascade's proposed unique SEM program design among all bidders, experience program team, deep understanding of CPUC SEM-related guidance, and past SEM program performance are strong indicators that the implementer will successfully deliver EE solutions for participating SoCalGas customers.

Cascade will offer the i2i SEM Program across all customer segments except the refinery segment. Other third-party implementers will offer complimentary program offerings that address EE equipment replacement and smaller customer groups. SoCalGas believes it is essential to offer its customers multiple program solutions, especially given the customer diversity in the industrial sector. The IE supports a diversified industrial program portfolio. Such program diversity gives customers comprehensive program offerings while reducing the risk of relying on one program to deliver EE services to the industrial sector.

SoCalGas determined that Cascade's proposed i2i SEM Program provides the best overall value to ratepayers and, most importantly, the best opportunity to provide a cost-effective program that serves SoCalGas' largest energy-consuming segment. The IE monitored every aspect of the solicitation, including the IOU's evaluation leading to SoCalGas' final selections. Based on this monitoring, the IE agrees with SoCalGas' decision that i2i SEM provides the best value to the IOUs' ratepayers among the bidder submissions proposing an SEM program strategy.

Program Description

Cascade's i2i SEM offering is an industrial SEM program that complies with the Guides, which takes cohorts of customers through each SEM cycles 1, 2, and 3, assuming CPUC continues funding for SoCalGas' EE program portfolio. The i2i SEM builds on SoCalGas' prior industrial SEM program, expanding participation using this highly effective approach. Very large industrial gas users will participate in five staggered SEM cohorts over the implementation period, delivering energy savings throughout the program term. Engaged participants will participate in follow-up program cycles.

Budget and Cost Efficiency

The final i2i SEM Program budget was adjusted downward from \$11.5 million to \$6.8 million based on SoCalGas' allocation of the industrial sector's \$50 million budget across four unique industrial programs. The final budget is within the CPUC's cost category targets, except for the direct implementation, non-incentive (DINI) cost category (20% target). Given the Program's high-touch customer relationships and multi-year engagement cycles, the DINI budgets were deemed reasonable by SoCalGas. The IE agrees with SoCalGas' assessment. The Program budget is shown in Table 4.5.

Table 4.5: Program Budget							
Cost Category	2023	2024	2025	2026	2027	Total	% of Total Budget
Administration	$69,421	$134,304	$166,122	$114,756	$62,832	**$547,435**	8%
Marketing	221,542	32,406	12,408	0	0	**266,356**	4%
DINI	1,513,313	815,334	1,274,969	613,343	311,040	**4,527,999**	67%
Incentives	0	396,792	674,546	226,171	160,701	**1,458,210**	21%
Total EE Budget	$1,804,276	$1,378,836	$2,128,045	$954,270	$534,573	**$6,800,000**	100%

SoCalGas limits the implementer's budgets to the annual cost categories presented in the Contract, as shown above. For example, suppose the unspent and uncommitted cost category budget remains at the end of a program year. The implementer cannot carry this remaining budget to the next program year without SoCalGas' approval. The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period. For 2023, the Contract does allow the implementer to carry over unspent funds to 2024 to recognize the time required to set up and launch the program.

Given the longer-term nature of the financial commitments with this comprehensive offering, the Program's expected financial commitments will likely need to be addressed at the end of every program year. In the future, SoCalGas could amend the Contract to define a financial commitment, which may help the implementer manage its budget.

The current California Industrial SEM Design and M&V Guides require a six-year customer engagement to assume a program net-to-gross ratio of 1.0 and a five-year effective useful life. However, the proposed Contract funds the i2i SEM Program for only five years. Given the necessary time to recruit customers into the cohorts and the three-cycle, six-year SEM guideline requirement, the Contract should stipulate that if the Program is successful and the CPUC authorizes future funding, the Program will continue to support ongoing SEM cohorts.

Expected Program Performance

The Program forecasts to achieve nearly 2.2 million net therms of annualized energy savings over the Contract term. Due to the nature of the SEM program design, the implementer expects to realize energy savings in the Program's second year, as shown in Table 4.6 below.

Table 4.6: Program Energy Savings Forecast						
Forecast	2023	2024	2025	2026	2027	Total
Therm Savings (annualized, net)	0	595,188	1,011,820	339,257	241,051	**2,187,316**
Total System Benefits	$0	$4,021,830	$7,237,649	$2,568,809	$1,932,008	**$15,760,296**

Cost-Effectiveness

The i2i SEM Program is cost-effective, with a forecasted TRC ratio of 2.23. The Program's cost-effectiveness showing, by year, is shown below:

Table 4.7: Program Cost-Effectiveness Targets						
	2023	2024	2025	2026	2027	Total
TRC Test Ratio	0.00	2.77	3.21	2.58	3.43	**2.23**
Program Administrator Cost Ratio	0.00	2.96	3.46	2.73	3.67	**2.34**

IDSM

The Program will include IDSM analysis as part of its customer site-specific activities.

Disadvantaged Communities and Hard-to-Reach Customers

The Contract assigns a specific key performance indicator that encourages the implementer to target facilities in DACs. The final Implementation Plan should present more details of how the Program will reach out to these DAC customers and how the Program will confirm that the facility meets the DAC definition set by the CPUC.

Disadvantaged Worker Policy

The Contract requires the implementer to comply with the CPUC's disadvantaged worker policies. The implementer will provide plans to promote these policies in the Program's Implementation Plan. SoCalGas requires the implementer to report its efforts on an annual basis. The IE encourages the IOU and implementer to provide greater detail on how the Program will support these CPUC policies in the final Implementation Plan.

Workforce Standards Policy

The CPUC workforce standards requirements do not apply to i2i SEM as the Program will not offer customer incentives to retrofit HVAC equipment.

M&V Plan

The Contract requires the implementer to coordinate with SoCalGas on a final M&V Plan. The IE recommends that the M&V Plan describe how the Program will perform data collection, savings estimations, verification, and reporting. The final detailed M&V Plan will be included as part of the final Implementation Plan.

[redacted]

[redacted]

[redacted]

Performance Assurance

There is no performance assurance presented in the Contract. SoCalGas does not typically impose such requirements. SoCalGas prefers closely monitoring program performance and working with the implementer on any emerging performance issues.

Innovation

Cascade's current SEM offering already incorporates many innovations. The implementer proposes to advance new aspects of the current design, including:

- Offering customers the use of Cascade's Energy Sensei software,
- Assigning customers one SEM coach for their entire engagement,
- Leveraging multi-day and multiple treasure hunts,
- Providing parallel cohorts for regular entry points into SEM, more flexible participation, and
- Adding new workshop modules that promote peer communication and collaboration.

Key Performance Indicators

The Program's KPI achievement is the primary means of assessing the Program's operational performance on an ongoing basis. The KPI performance is monitored monthly throughout the program implementation period. There are six KPIs tied to program performance, program management, DBE spending, DAC activities, and customer satisfaction. SoCalGas will use the KPIs to determine: (1) the program's success and whether or not corrective actions are required; (2) if funding should be added or removed from the program; and (3) program renewals toward the end of the contract term. [redacted]

5. Contracting & Assessment: Cascade – I-STAR Program

SoCalGas held contract negotiations with Cascade on their proposed I-STAR Program. The I-STAR Program design and delivery met the solicitation objectives for a cost-effective, innovative program that addressed SoCalGas' industrial sector.

5.1. Contract Negotiations

From February through May 2022, SoCalGas held four meetings with Cascade on the I-STAR Program and several Contract turns via email exchanges. Since SoCalGas and Cascade negotiated the I-STAR and i2i SEM contracts concurrently, the parties discussed overlapping issues, such as SoCalGas' proposed terms and conditions, summarized in Cascade's i2i SEM Contract review presented in this IE Report. The parties also discussed other topics associated with the I-STAR Contract, from implementer compensation to targeting smaller industrial customers.

a. Collaboration on Final Program Design and Scope

In Decision 16-08-019, the CPUC allows the IOU and the selected Bidder, after program selection, to collaborate on the ultimate program design implemented by the third party.[21] Collaboration enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offers. Contract negotiations are also the time for the bidder to share greater levels of program details and to address any concerns that the IOU may have regarding the program design and delivery.

SoCalGas and Cascade addressed several contract issues during negotiations, including implementer compensation, leveraging SoCalGas account executive support, payment of customer incentives, targeting small and medium businesses (SMB), and reducing the scope to address SoCalGas' food and beverage customer segment only. Table 5.1 is a summary of key negotiated items:

Table 5.1: Key Contract Negotiation Topics	
Topic	Discussion and Agreement
[redacted]	

[21] Conclusion of Law 57.

Table 5.1: Key Contract Negotiation Topics	
Topic	**Discussion and Agreement**
SoCalGas Account Executive (AE) Support	Parties spent several meetings discussing SoCalGas' AE-enhanced support services. Cascade's familiarity with SoCalGas' AEs from previous programs led to a deeper discussion regarding discrete AE-enhanced support services and personnel. Ultimately, the parties agreed that AE would focus their support on initial customer outreach and recruitment. The Contract includes a discrete AE budget by year. Cascade did not opt for any other enhanced IOU support services. The enhanced services costs seem reasonable, and the AE will likely provide the recruitment Cascade expects from SoCalGas. Overall, Cascade appeared very satisfied with the outcome and believed SoCalGas' AE support was integral to the program's success. Future program evaluation efforts should study the effectiveness of using IOU AEs in program recruitment for high-touch customer engagements.
Payment of Customer Incentives	SoCalGas requested that Cascade, as the program implementer, promptly pay the customer any incentives owed. Cascade, concerned about cash flow, could not agree to pay customer incentives until it received payment from SoCalGas. SoCalGas agreed to pay Cascade's customer incentive invoices [redacted] to accommodate Cascade's request. In turn, Cascade agreed to pay the customer the incentive within 30 days after receipt of payment from SoCalGas. Cascade will pay customer incentives based on gross therms savings.
Targeting SMB Customers	SoCalGas requested that Cascade increase attention to industrial SMB customers, especially in DAC areas. Cascade worked with its subcontractor to target more SMB, especially in DAC areas. The Program is expected to have more than 70% from DAC areas. SMB customers will be offered deemed measures.

b. *Fairness of Negotiations*

Overall, the contract negotiations were fair and transparent. The contract negotiations resulted in a contract that closely resembled the bidder's proposed program design but with a significantly reduced scope and budget. SoCalGas proposed reductions allowed the IOU to address other industrial customer groups with other third-party industrial programs. The following are changes to the budget and key performance metrics due to the contract negotiations.

Table 5.2: Proposed vs. Final Agreement		
	Proposed	Contracted
EE Budget	$22,391,121	$5,500,000
Energy Savings, Therms, net	4,927,960	1,219,205
Total System Benefits (TSB)	$42,425,860	$18,282,654
TRC Ratio	3.03	2.96

c. *Changes to Contract Terms & Conditions*

To comply with CPUC directives, SoCalGas provided the bidder with standard and modifiable CPUC terms and conditions at the start of contract negotiations.[22] The IE reviewed all documents and confirmed that the Contract includes the CPUC's standard terms and conditions. The IOU also proposed a set of additional terms and conditions. These other terms do not conflict with the CPUC

[22] Decision 18-10-004, OP 7.

standard terms and conditions, as SoCalGas included an additional contract term that clarified that the CPUC standard terms and conditions take precedence over any potentially conflicting terms in the Agreement. The IOU and the bidder agreed to all terms and conditions. The IE also reviewed the Contract against the PRG's Contract Checklist and found no issues with SoCalGas' contract.

d. *Insurance Requirements*

After completing the Contract's Statement of Work, SoCalGas assessed the insurance requirements, including insurance types and minimum amounts. The insurance requirements align with the program scope. Based on the program scope, which includes regularly sharing customer data and energy advice to the customer on their business operations seems reasonable. The bidder agreed to the insurance requirements, which included, among other insurance types, cybersecurity, and professional liability insurance minimum levels. The IE confirmed that SoCalGas' insurance requirements were aligned with other industrial contracts negotiated concurrently by SoCalGas.

e. *Conformance with CPUC Policies and Objectives*

The table below summarizes how the program elements align with those CPUC policies and other PRG recommendations that the contracted Program should support.

Table 5.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
IOU should develop a standard contract template with CPUC standard terms to be compliant with applicable CPUC policies, decisions, or specific directives, consider PRG and IE feedback, and not use language/concepts that are inappropriate or typically not used in the EE industry. (PRG Guidance on Contracting, Section 6.1.1)	See Section 5.1.c.
The Contract must include all CPUC standard (non-modifiable) contract terms in the contract. (6.1.2)	See Section 5.1.c.
The Contract includes CPUC modifiable contract terms as a starting point. (6.1.3)	See Section 5.1.c.
Other aspects of the contract template do not conflict with CPUC terms and conditions, policies, decisions, or direction. (6.1.4/5)	See Section 5.1.c.
IE pool reviews standard contract template and provides comments. (6.1.6)	Confirmed. The IE reviewed the contract template. The IE recommended that the IOU include an additional term that specifies that the CPUC standard terms and conditions take precedence over all contract terms. The IOU accepted this recommendation.
IOU must present its contracting negotiation process to the IE/PRG for review. (6.2.1)	Confirmed. The IOU informed the IE and PRG of the process and approach to the contract.
IEs should monitor all bidder communications during the negotiation process. (6.2.2)	Confirmed. The IE was included in all bidder communications and attended all meetings.
IOUs should explain their contracting process to selected bidders. (6.2.3)	Confirmed. The IOU presented the contracting process to the bidder at the initial meeting.
Before execution, the assigned IE and PRG should review the final contracts for each Program recommended for award. (6.3.1)	Confirmed. The IE reviewed the final contracts.
A reasonable number of KPIs.	Confirmed. The Contract includes KPIs addressing program performance, management, DBE spending, customer satisfaction, reporting, and participation in DACs and HTR customers.

Table 5.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
KPIs make sense in terms of measuring, scale, and timeframe.	Confirmed.
The contract includes appropriate performance issue remedies.	Confirmed. The Contract identifies the process to remedy KPI performance issues, including program cancellation, if remedies are ineffective in increasing performance to acceptable levels.
The contract clearly addresses Support Services.	The Contract identifies IOU services (e.g., customer data) it will provide to the implementers. These services are limited to activities (e.g., review of marketing materials, secondary inspections, etc.) expected in the Program Administrator's role. The implementer is not charged a fee for these standard services. The Contract also allows the implementer to receive enhanced customer outreach and program recruitment by SoCalGas' industrial account executives.
Innovative aspects of the Program are retained.	Confirmed.
If applicable, IDSM components are included.	The implementer will assist the customer in identifying IDSM opportunities within the customer facilities.
If applicable, program considerations for HTR and DACs are incorporated.	Confirmed. The Contract includes a program participant goal to promote EE to customers located in DACs and by HTR customers.
The changes proposed by the IOU and the implementer were reasonable and fair.	Confirmed.

f. Uniformity of Contract Changes

The IOU negotiated four contracts for the industrial sector solicitation. SoCalGas addressed similar issues among all bidders, including reduced program costs for shared electric and gas customers, compensation, SoCalGas enhanced account executive support, insurance requirements, terms and conditions, payment terms, and compensation structures [redacted]

Overall, SoCalGas treated each of the contracts consistently. In future negotiations, as SoCalGas agrees to contract changes (e.g., payment terms) in negotiations with one party, such changes should be introduced by SoCalGas in other parallel contract negotiations. This approach helps to ensure consistency throughout multiple concurrent contract negotiations.

5.2. Final Selection

SoCalGas made its final selection based on the outcome of its evaluation and ranking of all the proposals. SoCalGas considered Cascade's proposed program design and delivery, team capabilities, past program successes, and familiarity with the food and beverage segment ideal to address this segment. SoCalGas' industrial program selection process.

5.3. Contract Execution

SoCalGas executed the I-STAR Program contract with Cascade on December 28, 2022. The Contract will be effective upon CPUC's approval of the executed contracts. At such time, the implementer may begin initial program tasks, including developing the program's Implementation

Plan, which SoCalGas forecasts to complete during Quarter 1 of 2023.

5.4. PRG and IE Feedback to Contracting

The IOU sought and considered PRG and IE feedback throughout the contracting process. As previously stated, SoCalGas' standard contract agreement met the PRG contracting recommendations. The IE actively monitored all contract negotiations. The IOU also met with the IE to discuss emerging contracting issues throughout the contracting phase.

The PRG and IE provided various comments on the draft Contract, which SoCalGas agreed to incorporate. Table 5.4.a lists key PRG and IE recommendations and corresponding SoCalGas responses.

Table 5.4.a: PRG Contract Recommendations		
Topic	Comment	IOU Response
Staffing Plan	The Contract should explain why full-time employees (FTEs) are not required to support program delivery.	The Contract clarifies why FTEs are not required to support the Program.
DAC and HTR Customers	The Contract should define DAC and HTR customers as part of the program participation forecasts presented in the Contract.	The Contract now provides the DAC and HTR definitions as part of the participation forecasts. The IE notes SoCalGas should revise the HTR definition to reference the current definition presented in Decision 18-05-041, Conclusion of Law 27. The current definition recognizes a DAC as a geographical barrier for HTR customers. SoCalGas should update the final Implementation Plan accordingly.

The IE provided 16 discrete recommendations to SoCalGas on the draft Contract. SoCalGas agreed to accept or partially accept all IE recommendations. Table 5.4.b lists key IE recommendations and the IOU's responses.

Table 5.4.b: IE Contract Recommendations		
Topic	Comment	IOU Response
Termination for Convenience	The draft Contract included a provision that allowed the IOU to terminate the contract for convenience. The IE recommended its removal as it was inconsistent with Decision 18-10-008, Section 3.4.3, which directed the IOUs not to include such provisions.	SoCalGas removed the provision.
Participation Forecast by Customer Size	The Contract should include customer participation by customer size to confirm the Program will target all customer sizes across the food and beverage segment.	SoCalGas revised the Contract to allow all very large industrial customers not currently participating in a SoCalGas SEM program to be eligible, except for the refinery segment. A separate third-party program implementer will address refinery customers.

Table 5.4.b: IE Contract Recommendations		
Topic	**Comment**	**IOU Response**
Very Small Industrial Customers	If the Program does not intend to target or accept very small customer projects, the Contract should state so. Since very small customers represent over 60% of the industrial customer but only 4% of the energy usage, SoCalGas could consider an equity program directed at very small industrial customers.	The Contract includes annual program participation from small and very small customers.
Preexisting EE Projects	The Contract should define a "preexisting EE project" to eliminate any potential misunderstandings during program implementation among parties regarding the reporting of EE savings tied to preexisting projects.	The Contract includes an operational definition for "preexisting EE projects."
M&V Plan	The Contract should include a description of the M&V approach, which can be further detailed in the Implementation Plan.	The Contract describes the Program's M&V approach.

5.5. Assessment of Final Contract

The final Program should be considered third-party proposed, designed, and delivered consistently with CPUC's definition of a third-party program. The final I-STAR Contract represents the bidder's original program design with a reduced scope to accommodate the funding of other third-party industrial programs. The Contract complies with all specific CPUC directives related to third-party contracts, including incorporating all standard CPUC terms and conditions without modification. [redacted]

a. Bid Selection Respond to Portfolio Needs

SoCalGas sought to procure an innovative program(s) that reliably captures cost-effective energy savings across SoCalGas' varied industrial customer segments. The I-STAR Program will partially serve this need by offering an EE retrofit to SoCalGas' food and beverage segment across all customer-sized groups, including a focus on customer facilities located in disadvantaged communities.

b. Bid Selection Provides the Best Overall Value to Ratepayers

Introduction

SoCalGas believes Cascade's program experience in the food and beverage segment and the comprehensive offering would be ideal for serving all customers in the segment with EE retrofit solutions. Cascade's i2i SEM Program would address SEM projects for very large customers in this segment.

SoCalGas believes it is essential to offer its industrial customers multiple program solutions, especially given the customer diversity in the industrial sector. The IE supports a diversified program portfolio and set of program implementers. Such program diversity gives customers a comprehensive set of program offerings while reducing the risk of relying on one program to deliver

EE services.

SoCalGas determined that Cascade's proposed I-STAR Program provides the best overall value to ratepayers and, most importantly, the best opportunity to provide a cost-effective program that serves the SoCalGas food and beverage segment. The IE monitored every aspect of the solicitation, including the IOU's evaluation leading to SoCalGas' final selections. Based on this monitoring, the IE agrees with SoCalGas' decision that the I-STAR Program provides the best value to the IOUs' ratepayers among the bidder submissions proposing a program strategy directed at this customer segment.

Program Description

I-STAR offers EE services and incentives to SoCalGas' industrial-sector food and beverage customers, tailored to their business type, size, and financial needs. It serves small, medium, large, and hard-to-reach customers across the entire SoCalGas territory, emphasizing outlying Disadvantaged Communities.

Budget and Cost-Efficiency

The final I-STAR Program budget was adjusted downward from $22.4 million to $5.5 million based on SoCalGas' allocation of the industrial sector's $50 million budget across four unique industrial programs. The final budget is within the CPUC's cost category targets, except for the DINI cost category (20% target). Given the Program's high-touch customer engagement, the DINI budgets were deemed reasonable by SoCalGas. The IE agrees with SoCalGas' assessment.

Table 5.5: Program Budget

Cost Category	2023	2024	2025	2026	2027	Total	% of Total Budget
Administration	$100,024	$68,646	$68,646	$71,164	$33,475	**$341,954**	6%
Marketing	91,675	50,931	30,558	30,558	0	**203,722**	4%
DINI	1,314,421	403,447	479,759	388,110	171,852	**2,757,589**	50%
Incentives	994,450	363,030	250,000	363,030	226,224	**2,196,734**	40%
Total EE Budget	$2,500,570	$886,054	$828,963	$852,862	$431,551	**$5,500,000**	100%

SoCalGas limits the implementer's budgets to the annual cost categories presented in the Contract, as shown above. For example, suppose the unspent and uncommitted cost category budget remains at the end of a program year. The implementer cannot carry this remaining budget to the next program year without SoCalGas' approval. The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period. For 2023, the Contract does allow the implementer to carry over unspent funds from 2024 to recognize the time required to set up and launch the program.

Expected Program Performance

The Program expects to achieve more than 1.2 million net therms of annualized energy savings over the Contract term, as shown in Table 5.6 below.

Table 5.6: Program Energy Savings Forecast						
Forecast	2023	2024	2025	2026	2027	Total
Therm Savings (annualized, net)	404,194	166,662	400,000	166,428	81,920	**1,219,205**
Total System Benefits	$4,463,507	$2,506,834	$8,197,901	$2,094,148	$1,020,264	**$18,282,654**

Cost-Effectiveness

The I-STAR Program is cost-effective, with a forecasted TRC ratio of 2.96. The Program's cost-effectiveness showing, by year, is shown below.

Table 5.7: Program Cost-Effectiveness Targets						
	2023	2024	2025	2026	2027	Total
TRC Test Ratio	1.58	2.44	6.58	2.81	3.05	2.96
Program Administrator Cost Ratio	1.82	2.89	12.47	3.35	3.49	3.74

IDSM

The Contract requires the implementer to include in the Implementation Plan a customer enrollment plan. The plan will list steps to ensure no lost EE opportunities and the participating customer is informed of other EE and demand-side management programs (e.g., clean renewables, etc.) available to the customer.

Disadvantaged Communities and Hard-to-Reach Customers

The Program will target facilities located in DACs. The Contract assigns a specific DAC key performance indicator that encourages the implementer to target facilities in DACs. The final Implementation Plan should present more details of how the Program will reach out to these customers with DAC facilities and how the program will confirm that the facility meets the DAC definition set by the CPUC.

Disadvantaged Worker Policy

The implementer will comply with the CPUC's disadvantaged worker policies. The implementer will provide plans to promote these policies in the Program's Implementation Plan. SoCalGas requires the implementer to report its efforts on an annual basis. The IE encourages the IOU and implementer to provide greater detail on how the Program will support these CPUC policies in the final Implementation Plan.

Workforce Standards Policy

The Contract requires the implementer to comply with all CPUC workforce standards requirements.

M&V Plan

The Contract requires the implementer to coordinate with SoCalGas on a final M&V Plan that SoCalGas will append to the final Implementation Plan. The IE recommends the final M&V Plan describe how the Program will perform data collection, savings estimations, verification, and reporting.

[redacted]

Performance Assurance

There is no performance assurance presented in the Contract. SoCalGas does not typically impose such requirements. SoCalGas prefers closely monitoring program performance and working with the implementer on any emerging performance issues.

Innovation

I-STAR incorporates the following key innovations:

- Training, at no cost to participants, from industrial systems experts on topics relevant to their operations;

- Single point-of-contact energy coach to provide technical expertise to the customer;
- Energy management best practices such as performance tracking, site-specific NMEC, and Cascade's collaborative energy management software Energy Sensei;
- Tiered customer incentive paths; and
- Flexible financing options.

Key Performance Indicators

The Program's KPI achievement is the primary means of assessing the Program's operational performance on an ongoing basis. The KPI performance is monitored monthly throughout the program implementation period. Eight KPIs are tied to program performance, program management, DBE spending, DAC activities, and customer satisfaction. SoCalGas will use the KPIs to determine: (1) the program's success and whether or not corrective actions are required; (2) if funding should be added or removed from the program; and (3) program renewals toward the end of the contract term. [redacted]

6. Contracting & Assessment: CLEAResult – Industrial Energy Partners Program

SoCalGas negotiated with CLEAResult on their proposed Industrial Energy Partners (IEP) Program. The IEP Program design and delivery met the solicitation objectives for a cost-effective, innovative program that addressed SoCalGas' industrial sector.

6.1. Contract Negotiations

From March through June 2022, SoCalGas held over ten negotiation meetings with CLEAResult on the IEP Program, supported by several exchanges of contract turns via email. The parties discussed topics from implementer compensation, program scope, SoCalGas' enhanced customer support services, customer incentive process, and existing customer projects.

a. Collaboration on Final Program Design and Scope

In Decision 16-08-019, the CPUC allows the IOU and the selected bidder, after program selection, to collaborate on the ultimate program design implemented by the third party.[23] Collaboration enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offers. Contract negotiations are also the time for the bidder to share greater levels of program details and to address any concerns that the IOU may have regarding the program design and delivery.

SoCalGas and CLEAResult proactively discussed adjusting the IEP Program scope to avoid overlap with other third-party industrial programs. Below is a summary of key negotiated items:

Table 6.1: Key Contract Negotiation Topics

Topic	Discussion and Agreement
[redacted]	
Customer Segment Coverage	Parties agreed to reduce the initial IEP scope to avoid overlap with other third-party industrial programs. The IEP scope excludes the food & beverage and refinery segments and excludes an SEM program strategy. The Contract includes a forecast of the program participation levels by year and customer segment, including the Program's HTR/DAC forecasts.
SoCalGas Account Executive (AE) Support	Parties discussed CLEAResult's preference to use SoCalGas' AE-enhanced support services. Parties agreed that AE would provide support on initial customer outreach and recruitment. The Contract includes a discrete AE budget by year. CLEAResult did not opt for any other enhanced IOU support services. The enhanced services costs seem reasonable, and the AE will likely provide the recruitment CLEAResult expects from SoCalGas. Future program evaluation efforts should study the effectiveness of using IOU AEs in program recruitment for high-touch customer engagements.

[23] Conclusion of Law 57.

Table 6.1: Key Contract Negotiation Topics	
Topic	**Discussion and Agreement**
Payment of Customer Incentives	SoCalGas requested that CLEAResult, as the program implementer, pay the customer any incentives owed promptly. To facilitate prompt customer payments, the parties agreed to a reduction in payment terms to 45 days. SoCalGas extended the same payment term to the other industrial third-party bidders.
Transitioning Preexisting EE Projects	SoCalGas agreed to transition existing EE industrial projects from its current industrial program to the new IEP offering. SoCalGas will transfer all preexisting qualifying (i.e., pending signed customer applications) projects to the IEP Program. In these instances, [redacted]

b. Fairness of Negotiations

Overall, the contract negotiations were fair and transparent. The contract negotiations resulted in a contract resembling the bidder's proposed program design with a significantly reduced scope. SoCalGas reduced the bidder's proposed budget and scope to fund other third-party industrial programs. The following are changes to the budget and key program metrics due to the contract negotiations.

Table 6.2: Proposed vs. Final Agreement		
	Proposed	**Contracted**
EE Budget	$40,507,210	$24,629,078
Energy Savings, Therms, net	15,967,265	6,488,910
Total System Benefits	$117,752,815	$92,405,533
TRC Ratio	2.44	2.60

c. Changes to Contract Terms & Conditions

To comply with CPUC directives, SoCalGas provided the bidder with standard and modifiable CPUC terms and conditions at the start of contract negotiations.[24] The IE reviewed all documents and confirmed that the Contract includes the CPUC's standard terms and conditions. The IOU also proposed a set of additional terms and conditions. These other terms do not conflict with the CPUC standard terms and conditions, as SoCalGas, in response to the IE's recommendation, provided an additional contract term that clarified that the CPUC standard terms and conditions take precedence over any potentially conflicting terms in the Agreement. The IOU and the bidder agreed to all terms and conditions. The IE reviewed the Contract against the PRG's Contract Checklist and found no issues with SoCalGas' contract.

d. Insurance Requirements

After completing the Contract's Statement of Work, SoCalGas assessed the insurance requirements, including insurance types and minimum amounts. The insurance requirements align with the program scope. Based on the program scope, which includes regularly sharing customer data and

[24] Decision 18-10-004, OP 7.

energy advice to the customer on their business operations seems reasonable. [redacted] The IE confirmed that SoCalGas' insurance requirements were aligned with other industrial contracts negotiated concurrently by SoCalGas.

e. *Conformance with CPUC Policies and Objectives*

The table below summarizes how the program elements align with those CPUC policies and other PRG recommendations the contracted Program should support.

Table 6.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
IOU should develop a standard contract template with CPUC standard terms to be compliant with applicable CPUC policies, decisions, or specific directives, consider PRG and IE feedback, and not use language/concepts that are inappropriate or typically not used in the EE industry. (PRG Guidance on Contracting, Section 6.1.1)	See Section 6.1.c.
The Contract must include all CPUC standard (non-modifiable) contract terms in the contract. (6.1.2)	See Section 6.1.c.
The Contract includes CPUC modifiable contract terms as a starting point. (6.1.3)	See Section 6.1.c.
Other aspects of the contract template do not conflict with CPUC terms and conditions, policies, decisions, or direction. (6.1.4/5)	See Section 6.1.c.
IE pool reviews standard contract template and provides comments. (6.1.6)	Confirmed. The IE reviewed the contract template. The IE recommended that the IOU include an additional term that specifies that the CPUC standard terms and conditions take precedence over all contract terms. The IOU accepted this recommendation.
IOU must present its contracting negotiation process to the IE/PRG for review. (6.2.1)	Confirmed. The IOU informed the IE and PRG of the process and approach to the contract.
IEs should monitor all bidder communications during the negotiation process. (6.2.2)	Confirmed. The IE was included in all bidder communications and attended all meetings.
IOUs should explain their contracting process to selected bidders. (6.2.3)	Confirmed. The IOU presented the contracting process to the bidder at the initial meeting.
Before execution, the assigned IE and PRG should review the final contracts for each Program recommended for award. (6.3.1)	Confirmed. The IE reviewed the final contracts.
A reasonable number of KPIs.	Confirmed. The Contract includes KPIs addressing program performance, program management, DBE spending, customer satisfaction, custom project participation, reporting, and DACs and HTR customer participation.
KPIs make sense in terms of measuring, scale, and timeframe.	Confirmed.
The contract includes appropriate performance issue remedies.	Confirmed. The Contract identifies the process to remedy KPI performance issues, including program cancellation, if remedies are ineffective in increasing performance to acceptable levels.
The contract clearly addresses Support Services.	The Contract identifies IOU services (e.g., customer data) it will provide to the implementers. These services are limited to activities (e.g., review of marketing materials, secondary inspections, etc.)

Table 6.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
	expected in the Program Administrator's role. The implementer is not charged a fee for these standard services. The Contract also allows the implementer to receive enhanced customer outreach and program recruitment by SoCalGas' industrial account executives.
Innovative aspects of the Program are retained.	Confirmed.
If applicable, IDSM components are included.	The implementer will assist the customer in identifying IDSM opportunities within the customer facilities.
If applicable, program considerations for Hard-to-Reach (HTR) and Disadvantaged Communities (DAC) are incorporated.	Confirmed. The Contract includes a program participant goal to promote EE to customers located in DACs and by HTR customers.
Changes proposed by the IOU and the implementer were reasonable and fair.	Confirmed.

f. Uniformity of Contract Changes

The IOU negotiated four contracts for the industrial sector solicitation. SoCalGas addressed similar issues among all bidders, including reduced program costs for shared electric and gas customers, [redacted]

Overall, SoCalGas treated each of the contracts consistently. In future negotiations, as SoCalGas agrees to contract changes (e.g., payment terms) in negotiations with one party, such changes should be introduced by SoCalGas in other parallel contract negotiations. This approach helps to ensure consistency throughout multiple concurrent contract negotiations.

6.2. Final Selection

SoCalGas made its final selection based on the outcome of its evaluation and ranking of all the proposals. SoCalGas considered CLEAResult's proposed program design and delivery and past program successes ideal for addressing many of SoCalGas' industrial customer segments.

6.3. Contract Execution

SoCalGas executed the IEP Program contract with CLEAResult on December 28, 2022. The Contract will be effective upon CPUC's approval of the executed contracts. At such time, the implementer may begin initial program tasks, including developing the Program's Implementation Plan, which SoCalGas forecasts to complete during Quarter 1 of 2023.

6.4. PRG and IE Feedback to Contracting

The IOU sought and considered PRG and IE feedback throughout the contracting process. As previously stated, SoCalGas' standard contract agreement met the PRG contracting recommendations. The IE actively monitored all contract negotiations. The IOU also met with the IE to discuss emerging contracting issues throughout the contracting phase.

Both the PRG and IE provided input to SoCalGas on the draft Contract. The PRG provided various comments on the draft Contract, which SoCalGas agreed to incorporate. The following lists key PRG recommendations, key IE recommendations, and SoCalGas' responses.

Table 6.4.a: PRG Contract Recommendations		
Topic	**Comment**	**IOU Response**
Staffing Plan	The Contract should estimate the expected labor hours to support program delivery.	The Contract estimates the total labor hours expected to support the Program.
DAC and HTR Customers	The Contract should define DAC and HTR customers as part of the Program Participation Forecasts presented in the Contract.	The Contract provides the DAC and HTR definitions as part of the Program Participation Forecasts. The IE notes that SoCalGas should revise the HTR definition to reference the current definition presented in Decision 18-05-041, Conclusion of Law 27. The CPUC's definition recognizes a DAC as a geographical barrier for HTR customers. SoCalGas should update the final Implementation Plan accordingly.

The IE provided 14 discrete recommendations to SoCalGas on the draft Contract. SoCalGas agreed to accept or partially accept all IE recommendations. Below is a list of key IE recommendations and the IOU's responses.

Table 6.4.b: IE Contract Recommendations		
Topic	**Comment**	**IOU Response**
Termination for Convenience	The draft Contract included a provision that allowed the IOU to terminate the contract for convenience. The IE recommended its removal as it was inconsistent with Decision 18-10-008, Section 3.4.3, which directed the IOUs not to include such provisions.	SoCalGas removed the provision.
Customer Eligibility	The Contract should identify the customer segments other third-party EE industrial programs will serve.	The Contract identifies the eligible customer segments.
Customer Incentive Payment Process	The Contract should be clear the implementer will pay the customer an incentive and how/when it will receive reimbursement/payment from the IOU.	The Contract identifies the customer incentive that will be paid by the implementer and describes how the implementer will be compensated for the payment made to the customer.
M&V Plan	The Contract should include a description of the M&V approach, which can be further detailed in the Implementation Plan.	The Contract describes the Program's M&V approach, which will be further detailed in the Implementation Plan.

6.5. Assessment of Final Contract

The final Program should be considered third-party proposed, designed, and delivered consistently with CPUC's definition of a third-party program. The final IEP Contract represents the bidder's original program design with a reduced scope to accommodate the funding of other third-party industrial programs. The Contract complies with all specific CPUC directives related to third-party contracts, including incorporating all standard CPUC terms and conditions without modification. [redacted]

[redacted].

a. Bid Selection Respond to Portfolio Needs

SoCalGas sought to procure an innovative program(s) that reliably captures cost-effective energy savings across SoCalGas' varied industrial customer segments. The IEP Program will serve the EE needs across most SoCalGas industrial customer segments and customer-sized groups, focusing on HTR customers and customers in DACs.

b. Bid Selection Provides the Best Overall Value to Ratepayers

Introduction

SoCalGas believes CLEAResult program experience across multiple and varied customer segments. CLEAResult's comprehensive offering that could serve all custom-sized groups would be ideal for most industrial customer segments.

CLEAResult will offer the IEP Program to all industrial customers, except for the refinery and food and beverage segments. SoCalGas believes it is essential to offer its industrial customers multiple program solutions, especially given the customer diversity in the industrial sector. The IE supports a diversified program portfolio and set of program implementers. Such program diversity gives customers a comprehensive set of program offerings while reducing the risk of relying on one program to deliver EE services to such a large and important industrial sector.

SoCalGas determined that CLEAResult's proposed IEP Program provides the best overall value to ratepayers and, most importantly, the best opportunity to provide a cost-effective program that serves most of SoCalGas' industrial sector.

The IE monitored every aspect of the solicitation, including the IOU's evaluation leading to SoCalGas' final selections. Based on this monitoring, the IE agrees with SoCalGas' decision that the IEP Program provides the best value to the IOUs' ratepayers among the bidder submissions proposing a comprehensive program offering to all customer segments.

Program Description

The IEP Program will provide EE services, technical assistance, and incentives to the industrial sector within the SoCalGas service territory. The Program will target textile, wood, mining, minerals, metals, and plastics segments using a downstream market approach and leveraging the deemed and custom savings platforms to deliver cost-effective energy savings. IEP will advance EE in the industrial sector and empower SoCalGas' eligible industrial customers to better manage their facility energy use, resulting in energy savings.

Budget and Cost-Efficiency

The IEP Program budget was adjusted downward from $40.5 million to $24.6 million based on SoCalGas' allocation of the industrial sector's $50 million budget across four unique industrial programs. The final budget is within the CPUC's cost category targets, except for the DINI cost category (20% target), as shown in Table 6.5. Given the Program's high-touch customer engagement, the DINI budgets were deemed reasonable by SoCalGas. The IE agrees with SoCalGas' assessment.

Table 6.5: Program Budget							
Cost Category	2023	2024	2025	2026	2027	Total	% of Total Budget
Admin.	$788,391	$315,232	$351,684	$355,950	$382,380	**$2,193,637**	9
Marketing	567,006	210,155	234,456	237,300	254,920	**1,503,837**	6
DINI	2,160,768	1,225,902	1,367,660	1,384,252	1,487,035	**7,625,617**	31
Incentives	3,730,307	2,119,692	2,313,969	2,343,784	2,797,309	**13,305,061**	54
Total Budget	$7,246,472	$3,870,981	$4,267,769	$4,321,286	$4,921,644	**$24,628,152**	100

SoCalGas limits the implementer's budgets to the annual cost categories presented in the Contract, as shown above. For example, suppose the unspent and uncommitted cost category budget remains at the end of a program year. The implementer cannot carry this remaining budget to the next program year without SoCalGas' approval. The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period.

Given the longer-term nature of the financial commitments with this comprehensive offering, the Program's expected financial commitments will likely need to be addressed at the end of every program year. In the future, SoCalGas could amend the Contract to define a financial commitment, which may help the implementer manage its budget. For 2023, the Contract does allow the implementer to carry over unspent funds from 2023 to 2024 to recognize the time required to set up and launch the program.

Expected Program Performance

The Program forecasts nearly 6.5 million net therms of annualized energy savings over the Contract term, as shown in Table 6.6 below.

Table 6.6: Program Energy Savings Forecast						
Forecast	2023	2024	2025	2026	2027	Total
Therm Savings (annualized, net)	1,851,818	1,059,996	1,148,977	1,162,571	1,265,548	**6,488,910**
Total System Benefits	$19,746,528	$14,870,644	$17,267,584	$18,503,462	$22,017,316	**$92,405,533**

Cost-Effectiveness

The IEP Program is cost-effective, with a forecasted TRC ratio of 2.60. The Program's cost-effectiveness showing, by year, is shown below:

Table 6.7: Program Cost-Effectiveness Targets						
	2023	2024	2025	2026	2027	Total
TRC Test Ratio	2.80	3.96	4.17	4.41	4.57	**3.86**
Program Administrator Cost Ratio	1.95	2.68	2.83	2.99	2.92	**2.60**

IDSM

The Contract requires the implementer to include in the Implementation Plan a customer enrollment plan. The plan will list steps to ensure no lost EE opportunities and the participating customer is informed of other EE and demand-side management programs (e.g., clean renewables, etc.) available to the customer.

Disadvantaged Communities and Hard-to-Reach Customers

The Program will target facilities located in DACs. The Contract assigns a specific DAC key performance indicator that encourages the implementer to target facilities in DACs. The final Implementation Plan should present more details of how the Program will reach out to these customers with DAC facilities.

Disadvantaged Worker Policy

The implementer will comply with the CPUC's disadvantaged worker policies. The implementer will provide plans to promote these policies in the Program's Implementation Plan. SoCalGas requires the implementer to report its efforts on an annual basis. The IE encourages the IOU and implementer to provide greater detail on how the Program will support these CPUC policies in the final Implementation Plan.

Workforce Standards Policy

The Contract requires the implementer to comply with all CPUC workforce standards requirements.

M&V Plan

The Contract requires the implementer to coordinate with SoCalGas on a final M&V Plan. The Plan should describe how the Program will perform data collection, savings estimations, verification, and reporting. The final detailed M&V Plan will be included as part of the final Implementation Plan.

[redacted]

[redacted]

Performance Assurance

There is no performance assurance presented in the Contract. SoCalGas does not typically impose such requirements. SoCalGas prefers closely monitoring program performance and working with the implementer on any emerging performance issues.

Innovation

The IEP Program takes an innovative approach to serving the industrial sector with an energy advising-focused model to build long-term relationships. The Program design focuses on the industrial customers' perspective and the relationship between EE measures and productivity in key industries such as plastics, metals, paper, and pulp. CLEAResult will leverage its engineering and account management teams to understand the customer's processes and production goals to better assist them in identifying opportunities to save energy and optimize their outputs.

Additionally, IEP will leverage a technology-driven approach to increase adoption and participation in EE across the supply chain. The Program will work directly with selected manufacturers and their advanced technologies, producing valuable information that will support distributors and contractors and reduce decision-making and EE programs' sales timelines. This technology-driven approach includes engaging upstream market actors to bring applicable technologies to the SoCalGas service territory, train installers, and offer those products to IEP-eligible customers. Once identified, the Program will also establish and deploy targeted outreach to customers where this technology is applicable to drive measure-specific uptake.

Key Performance Indicators

The Program's KPI achievement is the primary means of assessing the Program's operational performance on an ongoing basis. The KPI performance is monitored monthly throughout the program implementation period. Nine KPIs are tied to program performance, management, DBE spending, DAC activities, and customer satisfaction. SoCalGas will use the KPIs to determine: (1) the program's success and whether or not corrective actions are required; (2) if funding should be added or removed from the program; and (3) program renewals toward the end of the contract term. [redacted]

7. Contracting & Assessment: Willdan – Refinery Gas Energy Efficiency Program

SoCalGas held contract negotiations with Willdan on their proposed Refinery Gas Energy Efficiency Program (RGEEP). The program design and delivery met the solicitation objectives for a cost-effective, innovative program that addressed SoCalGas' industrial sector.

7.1. Contract Negotiations

From March through October 2022, SoCalGas held over 20 negotiation meetings with Willdan, supported by several exchanges of contracts via email exchanges. The parties discussed topics associated with the RGEEP Contract, from customer project recruitment, compensation, shared EE projects with other utilities, pre-existing customer EE projects, and SoCalGas' enhanced program support services.

a. Collaboration on Final Program Design and Scope

In Decision 16-08-019, the CPUC allows the IOU and the selected Bidder, after program selection, to collaborate on the ultimate program design implemented by the third party.[25] Collaboration enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offers. Contract negotiations are also the time for the bidder to share greater levels of program details and to address any concerns that the IOU may have regarding the program design and delivery. SoCalGas and Willdan proactively discussed adjusting the scope of Willdan's proposal to avoid program overlap with other third-party industrial programs. Below is a summary of key negotiated items:

Table 7.1: Key Contract Negotiation Topics	
Topic	**Discussion and Agreement**
[redacted]	
Project Recruitment	Parties discussed how the Program would identify energy savings opportunities and influence the customer to adopt EE recommendations. Willdan proposes to innovate the program's outreach by relying on an energy service company (ESCO)-style, whereby Willdan will locate itself at the customer site for several months to identify EE opportunities (near- and long-term customer options). In contrast, SoCalGas has employed a less invasive approach that did not require an on-site presence. Willdan's approach will require additional technical support [redacted]

[25] Conclusion of Law 57.

Table 7.1: Key Contract Negotiation Topics	
Topic	**Discussion and Agreement**
SoCalGas Account Executive (AE) Support	Parties spent several meetings discussing SoCalGas' AE-enhanced support services. SoCalGas has a small, highly specialized AE staff dedicated to its refinery segment. Willdan opted for SoCalGas' enhanced AE services to assist with project recruitment. Parties were very agreeable to the arrangement, and the services will likely be advantageous to the Program given the AE's expertise and existing customer relationships. The AE support budget is part of Willdan's contract budget. Future program evaluation efforts should study the effectiveness of using IOU AEs in program recruitment for high-touch customer engagements.
[redacted]	
Cost Sharing for Joint EE Projects	Parties discussed cost reduction for shared projects that produce energy savings for SoCalGas and SCE. Willdan explained that it understands the motivation to share costs but indicated it is unlikely there to be electric energy savings as many refineries rely on electric cogeneration. Willdan also indicated due to SCE's prolonged project approval process, that it is unlikely to realize any electric energy savings for those refineries that are SCE customers. [redacted]

b. Fairness of Negotiations

Overall, the contract negotiations were fair and transparent. The contract negotiations resulted in a contract that included a reduced scope causing the bidder to revise its program strategies to serve only SoCalGas' refinery segment. As represented in SoCalGas' Business Plan, the refinery segment provides the largest EE potential of any other industrial sector and has provided over 40% of the industrial sector energy savings in prior years.[26] SoCalGas reduced the bidder's proposed budget and scope to fund other third-party industrial programs. The following are changes to the budget and key program metrics due to the contract negotiations.

Table 7.2: Proposed vs. Final Agreement		
	Proposed	**Contracted**
EE Budget	$47,000,000	$23,000,000
Energy Savings, Therms, net	10,000,000	6,116,250
Total System Benefits (TSB)	$58,977,055	$34,578,441
TRC Ratio	1.45	1.51
Cost per Therm (net, annualized)	$4.70	$3.76

c. Changes to Contract Terms & Conditions

To comply with CPUC directives, SoCalGas provided the bidder with standard and modifiable CPUC terms and conditions at the start of contract negotiations.[27] The IE reviewed all documents and confirmed that the Contract includes the CPUC's standard terms and conditions. The IOU also proposed a set of additional terms and conditions. These other terms do not conflict with the CPUC

[26] Southern California Gas Company, pp. 166-167.
[27] Decision 18-10-004, OP 7.

standard terms and conditions, as SoCalGas, in response to the IE's recommendation, provided an additional contract term that clarified that the CPUC standard terms and conditions take precedence over any potentially conflicting terms in the Agreement. The IOU and the bidder agreed to all terms and conditions. The IE reviewed the Contract against the PRG's Contract Checklist and found no issues with SoCalGas' contract.

d. Insurance Requirements

After completing the Contract's statement of work, SoCalGas assessed the insurance requirements, including insurance types and minimum amounts. The insurance requirements align with the program scope. Based on the program scope, which includes regularly sharing customer data and energy advice to the customer on their business operations seems reasonable. The bidder agreed to the insurance requirements, [redacted] The IE recommended that SoCalGas confirm that the insurance requirements were aligned with other industrial contracts negotiated concurrently by SoCalGas. As a result, SoCalGas [redacted]

e. Conformance with CPUC Policies and Objectives

The table below summarizes how the program elements align with those CPUC policies and other PRG recommendations that the contracted Program should support.

Table 7.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
IOU should develop a standard contract template with CPUC standard terms to be compliant with applicable CPUC policies, decisions, or specific directives, consider PRG and IE feedback, and not use language/concepts that are inappropriate or typically not used in the EE industry. (PRG Guidance on Contracting, Section 6.1.1)	See Section 7.1.c.
The Contract must include all CPUC standard (non-modifiable) contract terms in the contract .(6.1.2)	See Section 7.1.c.
The Contract includes CPUC modifiable contract terms as a starting point. (6.1.3)	See Section 7.1.c.
Other aspects of the contract template do not conflict with CPUC terms and conditions, policies, decisions, or direction. (6.1.4/5)	See Section 7.1.c.
IE pool reviews standard contract template and provides comments. (6.1.6)	Confirmed. The IE reviewed the contract template. The IE recommended that the IOU include an additional term that specifies that the CPUC standard terms and conditions take precedence over all contract terms. The IOU accepted this recommendation.
IOU must present its contracting negotiation process to the IE/PRG for review. (6.2.1)	Confirmed. The IOU informed the IE and PRG of the process and approach to the contract.
IEs should monitor all bidder communications during the negotiation process. (6.2.2)	Confirmed. The IE was included in all bidder communications and attended all meetings.
IOUs should explain their contracting process to selected bidders. (6.2.3)	Confirmed. The IOU presented the contracting process to the bidder at the initial meeting.
Before execution, the assigned IE and PRG should review the final contracts for each Program recommended for award. (6.3.1)	Confirmed. The IE reviewed the final contracts.

Table 7.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
A reasonable number of KPIs.	Confirmed. The Contract includes KPIs addressing program performance, program management, DBE spending, and customer satisfaction.
KPIs make sense in terms of measuring, scale, and timeframe.	Confirmed.
The contract includes appropriate performance issue remedies.	Confirmed. The Contract identifies the process to remedy KPI performance issues, including program cancellation, if remedies are ineffective in increasing performance to acceptable levels.
The contract clearly addresses Support Services.	The Contract identifies IOU services (e.g., customer data) it will provide to the implementers. These services are limited to activities (e.g., review of marketing materials, secondary inspections, etc.) expected in the Program Administrator's role. The implementer is not charged a fee for these standard services. The Contract also allows the implementer to receive enhanced customer outreach and program recruitment by SoCalGas' industrial account executives.
Innovative aspects of the Program are retained.	Confirmed.
If applicable, IDSM components are included.	The implementer will assist the customer in identifying IDSM opportunities within the customer facilities.
If applicable, program considerations for Hard-to-Reach (HTR) and Disadvantaged Communities (DAC) are incorporated.	Confirmed. There is a very limited number of refineries eligible for the program. Many of these refineries are located in DACs. The Contract requires the implementer to track and report the number of customers located in DACs.
The changes proposed by the IOU and the implementer were reasonable and fair.	Confirmed.

f. *Uniformity of Contract Changes*

The IOU negotiated four contracts for the industrial sector solicitation. SoCalGas addressed similar issues among all bidders, including [redacted] for shared electric and gas customers, [redacted]

7.2. Final Selection

SoCalGas made its final selection based on the outcome of its evaluation and ranking of all the proposals. SoCalGas considered Willdan's program design and delivery and past program successes ideal for addressing SoCalGas' refinery segment.

7.3. Contract Execution

SoCalGas executed the RGEEP contract with Willdan on December 19, 2022. The Contract will be effective upon CPUC's approval of the executed contracts. At such time, the implementer may begin initial program tasks, including developing the Implementation Plan, which SoCalGas forecasts to complete during Quarter 1 of 2023.

7.4. PRG and IE Feedback to Contracting

The IOU sought and considered PRG and IE feedback throughout the contracting process. As previously stated, SoCalGas' standard contract agreement met the PRG contracting recommendations. The IE actively monitored all contract negotiations. The IOU also met with the IE to discuss emerging contracting issues throughout the contracting phase.

Both the PRG and IE provided input to SoCalGas on the draft Contract. The PRG provided various comments on the draft Contract, which SoCalGas agreed to incorporate. The following lists key PRG recommendations, key IE recommendations, and SoCalGas' responses.

Table 7.4.a: PRG Contract Recommendations		
Topic	**Comment**	**IOU Response**
Normalized Meter Energy Consumption (NMEC)	The Contract should reference the CPUC's NMEC guidelines.	The Contract requires the implementer to adhere to the CPUC guidelines and rulebooks related to NMEC.
Flexible Customer Incentives	The Contract should include a standard method to determine customer incentive amounts to ensure customers are treated similarly under the Program's flexible, customized incentives.	The Contract describes the process for assigning customer custom incentive levels.
Program Theory Logic Model (PTLM)	The PTLM should include program goals as a clear and distinct starting line in the logic model.	The PTLM will be completed as a part of the required Implementation Plan and include program goals.
Integrated Demand-Side Management (IDSM)	The Contract should clarify that "limited EE/DR integration" is not the same as the broader "IDSM" integration.	The Contract clarifies the scope of IDSM activities in program delivery to the customer.

The IE provided 14 discrete recommendations to SoCalGas on the draft Contract. SoCalGas agreed to accept or partially accept all IE recommendations. Below is a list of key IE recommendations and the IOU's responses.

Table 7.4.b: IE Contract Recommendations		
Topic	**Comment**	**IOU Response**
IDSM	The Contractor should clarify that the implementer will make customers aware of other IDSM opportunities as part of the comprehensive audits, as applicable.	The Contract clarifies the scope of IDSM activities in program delivery to the customer.
Quality Installation	The CPUC-required quality installation procedures for lighting retrofits should be removed as such installations do not apply to a gas-only EE retrofit.	The Contract clarifies only applicable quality installation procedures apply.
Project Installation Process	The Contract should describe the Program's planned EE project installation process.	The Contract includes a detailed description of the installation process.

7.5. Assessment of Final Contract

The final program should be considered third-party proposed, designed, and delivered consistently with CPUC's definition of a third-party program. The final RGEEP Contract represents the bidder's revised program design based upon a significantly reduced scope as requested by SoCalGas. The reduced scope was necessary to accommodate the funding of other third-party industrial programs. The Contract complies with all specific CPUC directives related to third-party contracts, including incorporating all standard CPUC terms and conditions without modification. [redacted]

a. *Bid Selection Respond to Portfolio Needs*

SoCalGas sought to procure an innovative program(s) that reliably captures cost-effective energy savings across SoCalGas' varied industrial customer segments. RGEEP will serve the EE needs of SoCalGas' refinery segment, which has the greatest EE market potential of any SoCalGas industrial customer segment.

b. *Bid Selection Provides the Best Overall Value to Ratepayers*

Introduction

SoCalGas believes Willdan's program experience in customized measures and deep knowledge of the CPUC-customized project review process will be ideal for serving the industrial segment.

Willdan will offer RGEEP, which is tailored to serve all refinery customers. SoCalGas believes it is essential to offer its industrial customers multiple program solutions, especially given the customer diversity in the industrial sector. The IE supports a diversified program portfolio and set of program implementers. Such program diversity gives customers a comprehensive set of program offerings while reducing the risk of relying on one program to deliver EE services to such a large and important industrial sector.

SoCalGas determined that Willdan's proposed RGEEP provides the best overall value to ratepayers and, most importantly, the best opportunity to provide a cost-effective program that serves SoCalGas' refinery segment.

The IE monitored every aspect of the solicitation, including the IOU's evaluation leading to SoCalGas' final selections. Based on this monitoring, the IE agrees with SoCalGas' decision that the RGEEP provides the best value to the IOU's ratepayers among the bidder submissions.

Program Description

RGEEP will provide EE audits, technical assistance, and customized incentives through a single point of contact engagement directed at the industrial refinery segment within the SoCalGas service territory. The Program will offer flexible incentives that encourage customers to pursue optimum and persistent energy savings. The Program's industrial energy management system platform will monitor and adjust building and process level uses at each customer facility and identify opportunities for future EE and continuous engagement. The additional visibility into facility energy use will increase natural gas savings opportunities over traditional EE programs and result in greater savings persistence.

Budget and Cost-Efficiency

Willdan's initial proposed program budget was adjusted downward from $47.0 million to $23.0 million based on SoCalGas' allocation of the industrial sector's $50 million budget across four unique industrial programs. The final budget is within the CPUC's cost category targets, except for the DINI cost category (20% target). Given the Program's high-touch customer engagement, the DINI budgets were deemed reasonable by SoCalGas. The IE agrees with SoCalGas' assessment.

Table 7.5: Program Budget							
Cost Category	2023	2024	2025	2026	2027	Total	% of Total Budget
Admin.	$417,200	$417,200	$417,200	$417,200	$417,200	**$2,086,000**	9
Marketing	67,500	67,500	67,500	67,500	66,425	**336,425**	1.5
DINI	2,557,000	2,782,250	3,351,000	3,091,195	1,206,130	**12,987,575**	56.5
Incentives	-	1,543,704	1,929,630	2,315,556	1,801,110	**7,590,000**	33
Total Budget	$3,041,700	$4,810,654	$5,765,330	$5,891,451	$3,490,865	**$23,000,000**	100

SoCalGas limits the implementer's budgets to the annual cost categories presented in the Contract, as shown above. For example, suppose the unspent and uncommitted cost category budget remains at the end of a program year. The implementer cannot carry this remaining budget to the next program year without SoCalGas' approval. The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period.

Given the longer-term nature of the financial commitments with this comprehensive offering, the Program's expected financial commitments will likely need to be addressed at the end of every program year. In the future, SoCalGas could amend the Contract to define a financial commitment, which may help the implementer manage its budget.

Expected Program Performance

The Program forecasts nearly 6.1 million net therms of annualized energy savings over the Contract term, as shown in Table 7.6 below.

Table 7.6: Program Energy Savings Forecast						
Forecast	2023	2024	2025	2026	2027	Total
Therm Savings (annualized, net)	0	1,250,000	1,562,500	1,875,000	1,428,750	**6,116,250**
Total System Benefits	0	$6,520,195	$8,626,136	$10,957,881	$8,474,230	**$34,578,441**

Cost-Effectiveness

RGEEP is cost-effective, with a forecasted TRC ratio of 1.51. The Program's cost-effectiveness showing, by year is shown below:

Table 7.7: Program Cost-Effectiveness Targets						
	2023	2024	2025	2026	2027	Total
TRC Test Ratio	0	1.36	1.5	1.86	2.43	**1.51**
Program Administrator Cost Ratio	0	1.38	1.52	1.9	2.5	**1.54**

IDSM

The Contract requires the implementer to include in the Implementation Plan a customer enrollment plan. The plan will list steps to ensure no lost EE opportunities and the participating customer is informed of other EE and demand-side management programs (e.g., clean renewables, etc.) available to the customer.

Disadvantaged Communities and Hard-to-Reach Customers

The Program is not assigned a specific DAC key performance indicator, as many of the refineries are located in such communities. The Program is required to report on how many participants are located in DACs throughout the program implementation period.

Disadvantaged Worker Policy

The implementer will comply with the CPUC's Disadvantaged Worker policies. The implementer will provide plans to promote these policies in the Program's Implementation Plan. SoCalGas requires the implementer to report its efforts on an annual basis. The IE encourages the IOU and implementer to provide greater detail on how the Program will support these CPUC policies in the final Implementation Plan.

Workforce Standards Policy

The Contract requires the implementer to comply with all CPUC workforce standards requirements.

M&V Plan

The Contract requires the implementer to coordinate with SoCalGas on a final M&V Plan. The Plan should describe how the Program will perform data collection, savings estimations, verification, and reporting. The final M&V Plan will be included as part of the Implementation Plan.

[redacted]

[redacted]

Performance Assurance

There is no performance assurance presented in the Contract. SoCalGas does not typically impose such requirements. SoCalGas prefers closely monitoring program performance and working with the implementer on any emerging performance issues.

Innovation

RGEEP's design brings innovations expected to increase cost-effective gas energy savings for the SoCalGas EE portfolio. The following are the Program's innovative elements:

- **Integrated Delivery Team** - includes single-point-of-contact, industrial experts who identify gas, production, and electric (via Willdan's Industrial EE Program operating in SCE's service territory) measure to reduce customer acquisition costs.
- **Intelligent Outreach** - conducts cost-effective outreach through market intelligence, load shape analysis, and customer relationships from parallel programs (SCE and LADWP).
- **Industrial EMS Platform** - monitors and adjusts building and process level uses at each facility, identifying opportunities for future EE and continuous engagement.
- **Flexible Incentives** - encourage customers to pursue optimum and persistent savings.

- **Path to Reduced Incentives** - offers an innovative path to reduce customer reliance on ratepayer-funded financial incentives by providing customers with no upfront cost financing and Energy-as-a-Service (EaaS) options.
- **IDSM** - offers innovative integration of demand-side management solutions, identifying a full range of distributed energy resources (DER) opportunities for the customer.
- **Online Platform** - centrally tracks and manages all program activities, data, analysis, communication, and KPIs.

Key Performance Indicators

The Program's KPI achievement is the primary means of assessing the Program's operational performance on an ongoing basis. The KPI performance is monitored monthly throughout the program implementation period. Eight KPIs are tied to program performance, management, DBE spending, and customer satisfaction. SoCalGas will use the KPIs to determine: (1) the program's success and whether or not corrective actions are required; (2) if funding should be added or removed from the program; and (3) program renewals toward the end of the contract term. [redacted]

8. Overall Assessment of Solicitation

SoCalGas' conduct during the local industrial program solicitation was fair, equitable, and transparent.

Multiple Contract Negotiations

SoCalGas recognized the diverse needs of its industrial customers and developed a comprehensive program portfolio that incorporated proposals from four different bidders. This decision aligned with SoCalGas' commitment to its bidders as outlined in its RFA and RFP instructions. As a result, the company negotiated four contracts to address the various customer segments. SoCalGas applied a consistent approach to all bidders, and any contract changes made during negotiations with one party were also introduced in parallel negotiations with other parties. This method helped maintain consistency across multiple contracts being negotiated simultaneously.

Reduce Contract Negotiation Schedule

Despite the California Public Utilities Commission's expectation that contract negotiations would only last 12 weeks, negotiations between SoCalGas and other industrial bidders lasted 26 weeks. SoCalGas attempted to negotiate with multiple parties simultaneously, but negotiations were further delayed due to the unavailability of the appropriate personnel. To avoid similar delays in the future, the IOU should commit to appropriate staffing and create a project schedule with weekly agendas and clear objectives for negotiations. This will allow both parties to have the necessary resources, such as engineering and legal support, available when needed.

[redacted]

[redacted]

Future Program Evaluation

After monitoring the conversations between SoCalGas and the bidders, utilizing SoCalGas' AE staff by the implementers can lead to a more cost-effective customer recruitment process. This is because the AEs possess an in-depth understanding of customer operations and decision-making processes while holding a trusted relationship with the customer. To further enhance the recruitment process for high-touch customer engagements, future program evaluations should investigate the effectiveness of employing IOU AEs by third-party implementers.

9. Implementation Plan Assessment

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the

LOCAL LARGE PUBLIC SOLICITATION

Reporting Period: October 2022 through March 2023

Prepared by:
Apex Analytics LLC

Disclaimer: This Report includes sensitive and confidential information.

Local Large Public Solicitation

1. Solicitation Overview

This Report covers the activities associated with the Local Large Public Sector (Large Public) solicitation for the period from October 2022 through March 2023. During this period, SoCalGas executed the contract with Energy Infrastructure Partners (EIP). EIP and SoCalGas prepared the implementation plan and held an implementation plan webinar. The implementation plan was reviewed by the IE (Apex).

1.1. Overview

The purpose of the Large Public solicitation was to invite bidders to develop an innovative and comprehensive EE program(s) for Large Public customer segments in SoCalGas' service territory.[28] The solicitation was based on the needs and strategies provided in SoCalGas' Business Plan as a tactic to achieve deeper EE savings. One of SoCalGas' portfolio goals is to achieve, at a minimum, 60 percent third-party programs by the year 2022. Working towards this goal, the Large Public solicitation is for third-party Program Implementers to design and implement innovative programs that address EE savings.

This program includes the local government, federal government, K-12 education, Special Districts and Public-Owned Utilities segments, but excludes public buildings covered by statewide programs (i.e., Statewide Water/Wastewater Pumping, Statewide Higher Education and Statewide State of California) or previously solicited SoCalGas programs (i.e., Small & Medium Public). With limited access to capital and performance uncertainty regarding future benefits, many public eligible customers have difficulty investing in EE retrofits. Paired with market barriers such as high first cost, capital expenditure approval processes, and limited awareness of efficient technologies and EE programs, the public sector is challenged to pursue EE retrofits. SoCalGas solicited third-party Program Implementers to propose, design and implement new and innovative programs to help SoCalGas achieve its portfolio goals, including cost-effectiveness obligations.

a. Scope

The SoCalGas Public Sector market is defined as essentially "tax-based" government organizations. The public sector is further defined by four segments: local government, state government, federal government, and education. The solicitation excluded those segments that are already covered by Statewide programs, such as correctional facilities, hospitals, state agencies, and California community colleges and state universities. A large public customer is defined as a customer whose maximum annual demand is greater than 50,000 therms.[29]

This solicitation aimed to solicit innovative, comprehensive, resource-based program ideas, which include non-resource components to address various segment barriers and drivers identified in SoCalGas' Business Plan and assist SoCalGas in the achievement of various portfolio and sector metrics,[30] through comprehensive tactics which may include but are not limited to: deep retrofits,

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[28] See SoCalGas Business Plan, Pg. 244 (Public Sector Vision) & Pg. 256-258 (Public Sector Energy Usage), available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.
[29] See SoCalGas Business Plan, Pg. 258 (Table 7 – Energy Consumption by Customer Size), available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.
[30] See SoCalGas Portfolio and Sector-Level Metrics Compliance Filing, Pg. 76-80, available at http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF.

direct install, custom measures, energy assessments and other forms of technical assistance; leverage of available financing options; leverage of available Regional Energy Networks (RENs), which provide added support to public sector customers; partnerships with non-governmental organizations and other entities (e.g., Municipal Utilities and Water Agencies); partnerships with local small business organizations and community-based organizations; use of local technical consultants, contractors, and vendors; focus on modifying organizational decision-making; and/or focus on adoption by public customers who serve rural communities, HTR communities, and DACs.

SoCalGas encouraged interested bidders to submit abstracts that address all or, at the bidder's discretion, a subset of all public sector customers, including large and very large public sector customers throughout SoCalGas' service territory, the exception being Statewide Programs and commercial sector customers (these customer groups were addressed in separate RFAs). Bidders were encouraged to propose flexible local program designs that can address customers across multiple public segments and/or groups cost-efficiently and effectively. Abstracts were requested to include the flexibility to target specific customers based on criteria such as, but not limited to, specific climate zones, customer site-specific energy savings potential, facility size, distribution system needs, and members of DACs.

b. Objectives

The solicitation was designed to achieve comprehensive, long-term energy savings and program opportunities that will assist SoCalGas in achieving portfolio and sector-level metrics[31] related to the Large Public sector. This solicitation encouraged the exploration of all relevant delivery channels and program strategies to implement a cost-effective program to maximize natural gas efficiency savings for the large- and very large-sized public sector customers.

1.2. Timing

The initial Large Public sector RFA was released in April 2021 and only one bidder responded. Due to internal SoCalGas threshold policies for competitiveness, SoCalGas suspended the RFA, issued a survey to registered bidders to understand barriers, conducted additional outreach to attract new bidders, and re-issued the RFA in July 2021. Two bids were received and SoCalGas completed scoring of the bids.

Due to concerns with the quality and low number of bids, SoCalGas issued an open RFP in November 2021, based on feedback from the PRG. The RFP process received and scored three full bids, conducted an interview process, and selected one bidder.

Overall, the Large Public sector solicitation was slower than planned due to the RFA relaunch (a result of only one bidder responding to the initial RFA) and an additional interview process for the RFP selection (due to the scoring process not resulting in a clear winner), which required another calendar month to complete. Additionally, contracting required more time than planned. Key milestones are summarized in Table 1.1.

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[31] *See* SoCalGas Business Plan, Pg. 244 (Public Sector Vision) & Pg. 256-258 (Public Sector Energy Usage), available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

Table 1.1: Key Milestones		
Milestones	**Completion Date**	**Weeks to Complete**
RFA Stage		
Round 1 Solicitation Launch	April 23, 2021	25 weeks
Round 2 Solicitation Re-Launch	July 16, 2021	
Bidders' Conference	April 28, 2021	
Offer Submittal Deadline	August 13, 2021	
RFA Shortlist to PRG	August 31, 2021	
Shortlisting Notification	October 14, 2021	
RFP Stage		
Solicitation Launch	November 8, 2021	17 weeks
Bidders Conference	November 10, 2021	
Offer Submittal Deadline	December 17, 2021	
Bidder Interviews	February 15–16, 2022	
RFP Selection to PRG	March 1, 2022	
Shortlisting Notification	March 8, 2022	
Selections & Contracting Stage		
Contracting and Negotiations Period	April–July 2022	29 weeks
Contracts Presented to PRG	July 2022	
Contract Execution	October 12, 2022	
Implementation Planning Stage		
Draft Implementation Plan	December 2, 2022	7 weeks
Implementation Plan Webinar	December 5, 2022	< 1 week
Final Implementation Plan	December 12, 2022	1 week

1.3. Key Observations

During this reporting period, SoCalGas and EIP executed the contract and prepared the implementation plan. The IE's comments on the implementation plan were clarifying in nature, and no key observations or recommendations were identified. In an oversight, SoCalGas did not send the webinar invitation to the IE, therefore, the IE could not monitor questions or comments from the webinar.

2. RFA Bidder Response and Selections

This solicitation activity was reported in the April 2021 through September 2021 Semi-Annual Report.

3. RFP Bidder Response and Selections

This solicitation activity was reported in the October 2021 through March 2022 Semi-Annual Report.

4. Contracting Process

This solicitation activity was reported in the October 2021 through March 2022 Semi-Annual Report.

5. Overall Assessment of Solicitation

This was reported in the October 2021 through March 2022 Semi-Annual Report.

6. Implementation Plan Assessment

During the period of this Semi-Annual Report, SoCalGas and the implementer worked together to prepare an implementation plan. The IE reviewed the draft plan and had minor clarifying comments to ensure the responsibilities of each party were specifically identified, and all areas of the template were completed. The IE's comments were satisfactorily addressed in the final version. An implementation plan webinar was held on December 5, 2022. However, the meeting invitation was not sent to the IE.

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

LOCAL MARKETPLACE SOLICITATION

Reporting Period: October 2022 through March 2023

Prepared by:
Don Arambula Consulting

Disclaimer: This Report includes sensitive and confidential information.

Local Marketplace Solicitation

1. Solicitation Overview

The Semi-Annual Report on the Local Marketplace (Marketplace) program solicitation covers the period between October 2022 through March 2023.

1.1. Overview

The Marketplace solicitation seeks qualified bidders to propose, design, implement, and deliver a fresh, updated, innovative, non-resource Marketplace program(s) directed at all customer sectors (residential, commercial, industrial, agricultural, and public).

a. Scope

SoCalGas has categorized the marketplace program solicitation within the CPUC-defined market support segment with its EE program portfolio. Market support program types focus on supporting the long-term success of the EE market by educating customers, training contractors, building partnerships, or moving beneficial technologies towards greater cost-effectiveness.[32] The program solicitation budget ranged between $1.5–$2.5 million annually from 2022 through 2025.

b. Objectives

As presented to the bidders in the RFA, the CPUC required SoCalGas to launch an online energy marketplace in compliance with Assembly Bill 793[33] to educate customers on products, services, or software that allows a customer to understand better and manage energy usage in the customer's home or place of business. SoCalGas envisioned the marketplace program as a compliant and complementary component for all SoCalGas EE programs targeting all customer sectors, including HTR customers, DACs, smaller-sized customer groups, and larger customer groups in nonresidential sectors.

SoCalGas plans to have the marketplace program to promote existing EE programs within its program portfolio and create greater participation by educating customers and local market actors on energy management technologies and other EE products and services. SoCalGas requested that a new marketplace program benefit SoCalGas' EE portfolio by:

- Increasing general market and customer awareness of energy savings rebate programs, EE education, energy tips, and EE opportunities.
- Providing outreach education and support for customers, including residential, smaller-sized customers, large customer groups in nonresidential sectors, and market actors to develop knowledge, skills, and abilities to participate in various programs and EE opportunities.
- Driving eligible customers to participate in SoCalGas' EE rebate program offerings and guiding eligible customers to the Energy Savings Assistance (ESA) program, California Alternate Rates for Energy (CARE), and other demand-side management opportunities.
- Supporting customers and market actors with technical and EE information and advice in adopting EE technologies and services.

[32] Decision 21-05-031, p. 14.
[33] Resolution E-4820 and [AB 793 (ca.gov)]

1.2. Timing

The program solicitation release was consistent with the projected release timeframe, as shown in the IOU's solicitation schedule presented to the bidder community through the CAEECC site. The RFA stage maintains the key dates listed in the RFA. However, due to a delayed RFP release and extended contract negotiations, the RFP stage and negotiations phase did not conclude on time. Table 1.1 below includes key milestones for this program solicitation and identifies missed milestone dates.

Table 1.1: Key Milestones		
Milestones	**Completion Date**	**Duration**
RFA Stage		
1. RFA Released	August 20, 2021	11 weeks
2. Optional Bidder Conference	August 25, 2021	
3. Bidder Questions Due	September 1, 2021	
4. Responses to Bidder Questions Due	September 8, 2021	
5. Bidder Abstract Submission Due	September 24, 2021	
6. Bidders Notified – Advancement to RFP Stage	November 9, 2021	
RFP Stage		
1. RFP Released	January 14, 2022 *	26 weeks
2. Optional Bidder Conference	January 19, 2022 *	
3. Bidder Questions Due Round 1	January 25, 2022 *	
4. Responses to Bidder Questions – Round 1	January 31, 2022 *	
5. Bidder Questions Due Round 2	February 3, 2022 *	
6. Responses to Bidder Questions – Round 2	February 8, 2022 *	
7. Bidder's Proposal Due	February 25, 2022 *	
8. Notification Selection	April 11, 2022 *	
Selections & Contracting Stage		
1. Contract Negotiations Begin	June 23, 2022 *	27 weeks
2. Contract Execution Date	December 29, 2022 *	
Contract Approval and Program Rollout		
1. Company Advice Letter Filing	Not applicable	14 weeks*
2. CPUC Contract Approval **	Not applicable	
3. Contract Issued (Notice to Proceed) **	December 29, 2022 *	
4. Implementation Plan Uploaded to CEDARS **	Q1 2023 *	
5. Full Program Roll Out **	Q1 2023 *	

* - Delayed from the original schedule.
** - Estimated.

1.3. Key Observations

During the solicitation, the IE shared recommendations with the IOU and the PRG. The IOU had an opportunity to review, consider, accept, or reject the IE recommendations. Table 1.2 presents the IE's key recommendations during this phase of the solicitation and new recommendations identified in the development of the final IE Report.

Table 1.2: Key Issues and Observations			
Topics	**Key Observations**	**IE Recommendations**	**Outcomes**
Negotiations and Contracting			
IOU Presentations to the PRG	SoCalGas presented the general status of contract negotiations to the PRG at monthly PRG meetings throughout contract negotiations. The IE also presented a comprehensive list of emerging issues to the PRG at the monthly meetings.	In future solicitations, SoCalGas should strive to share more details during the PRG monthly meetings on ongoing contracting issues emerging during negotiations.	New recommendation.
Timely Contract Negotiations	The 27 weeks of negotiations surpassed the Energy Division's target of completing contract negotiations within 12 weeks.	The IOU should commit to the necessary staffing to support negotiations and create a project schedule with weekly agendas and discrete objectives. A project schedule will enable both parties to have the necessary resources available when called upon during negotiations.	New recommendation.

2. RFA Bidder Response and Selections

2.1. RFA Development

The IE reported this solicitation activity in the April 2021 through September 2021 Semi-Annual Report.

2.2. RFA Outreach

The IE reported this solicitation activity in the April 2021 through September 2021 Semi-Annual Report.

2.3. RFA Bidders' Conference

The IE reported this solicitation activity in the April 2021 through September 2021 Semi-Annual Report.

2.4. RFA Bidders' Response

The IE reported this solicitation activity in the April 2021 through September 2021 Semi-Annual Report.

2.5. Abstract Selection Process

The IE reported this solicitation activity in the October 2021 through March 2022 Semi-Annual Report.

2.6. PRG and IE Feedback to Abstract Process and Selection

The IE reported this solicitation activity in the October 2021 through March 2022 Semi-Annual Report.

3. RFP Bidder Response and Selections

The IE reported this solicitation activity in the October 2021 through March 2022 Semi-Annual Report.

4. Contracting Process

SoCalGas held contract negotiations with Enervee on their proposed marketplace offering. SoCalGas preferred that the marketplace target SoCalGas customers across all sectors; however, Enervee's proposal limits its scope to residential and SMB customers. Given that larger nonresidential customers rely on other market channels for EE products, the Enervee Marketplace targets the appropriate customer groups (i.e., residential, SMB). The proposal received the highest overall score and met the solicitation objective for an online energy marketplace in compliance with Assembly Bill 793[34] to educate customers on products, services, or software that allows a customer to understand better and manage energy usage in the customer's home or place of business.

4.1. Contract Negotiations

Between June and December 2022, SoCalGas and Enervee held 20 meetings and exchanged several emails regarding the Marketplace Program and Contract negotiations. The discussions covered several topics, including compensation, EE product listings, and customer data requirements. However, negotiations took longer than expected, lasting 27 weeks instead of the Energy Division's target of 12 weeks. [redacted] Despite these challenges, both parties eventually reached a resolution.

In future solicitations, the IE recommends that IOUs create a standard weekly negotiation schedule with predetermined meeting agendas and deliverables to streamline the negotiation process and ensure prompt resolutions. The preset schedule will allow parties to track deliverables, work on multiple issues concurrently, and make the necessary resources (e.g., engineering, legal, etc.) available to both parties in order to complete deliverables and arrive at resolutions promptly.

a. Collaboration on Final Program Design and Scope

In Decision 16-08-019, the CPUC allows the IOU and the selected Bidder, after program selection, to collaborate on the ultimate program design implemented by the third party.[35] Collaboration enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offers. Contract negotiations are also the time for the bidder to share greater levels of program details and to address any concerns that the IOU may have regarding the program design and delivery.

SoCalGas and Enervee addressed several contract issues during negotiations, [redacted] Below is a summary of these key negotiated items:

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[34] Resolution E-4820 and AB 793 (ca.gov)

[35] Conclusion of Law 57.

Table 4.1: Key Contract Negotiation Topics	
Topic	**Discussion and Agreement**
[redacted]	
Customer Mailing Frequency	Parties agreed to conduct a quarterly email campaign targeting SoCalGas residential SMB customers. Enervee will create the marketing campaign and materials. SoCalGas will distribute via email to its customers. SoCalGas will identify the DAC-qualified customers from each customer group so Enervee can conduct additional targeting efforts. Initially, Enervee had planned to conduct many more email blasts (~100 over three years) using SoCalGas' customer lists. However, SoCalGas policy does not allow more than one mailing per quarter. SoCalGas explained that if customers receive too many emails, then customers tend to unsubscribe to all future SoCalGas mailings (e.g., billings, other customer service programs, etc.). As a result of the reduced mailings, Enervee reduced the number of EE product sales, as listed in Table 4.2 of this Report.
EE Product Lists	Parties agreed to upload additional EE products throughout the implementation. SoCalGas may request one additional product per quarter. The Marketplace platform will include a new solar water heating product listing to advance decarbonization
[redacted]	
Program Coordination	Enervee will include other EE program rebates to the product listing on the Marketplace. The other EE programs will report the corresponding energy savings under their program results.
DAC and HTR Customer Targeting	Parties discussed, in detail, how the program can target DAC and HTR customers. SoCalGas cannot flag customers considered HTR due to the unique customer characteristic of the HTR definition (e.g., primary language spoken in households or businesses). Parties agreed to target DAC customers. A subset of these customers is likely to be considered HTR since DAC is a key characteristic of the HTR definition.
Key Performance Indicators (KPIs)	Parties agreed to program performance KPIs, including those that support greater efficiencies in onboarding new products on the platform.
[redacted]	
Insurance Requirements	Parties agreed to insurance requirements. [redacted]

b. *Fairness of Negotiations*

The contract negotiations were fair and transparent. The contract negotiations resulted in a contract that closely resembled the scope of the bidder's proposal.

The overall final budget was consistent with the proposals. The bidder adjusted its forecast of products sold, though to remove its thermostat product. The bidder retained its product forecast directed at HTR/DAC customers. The following are changes to the budget and key program activities due to the contract negotiations.

Table 4.2: Proposed vs. Final Agreement		
	Proposed	Contracted
EE Budget	$4,954,524	$4,851,400
EE Products Sold	86,360	8,950
EE Products Sold to DAC/TRC Customers	2,850	2,850

c. *Changes to Contract Terms & Conditions*

To comply with CPUC directives, SoCalGas provided the bidder with standard and modifiable CPUC terms and conditions at the start of contract negotiations.[36] The IE reviewed all documents and confirmed that the Contract includes the CPUC's standard terms and conditions. The IOU also proposed a set of additional terms and conditions. These other terms do not conflict with the CPUC standard terms and conditions since SoCalGas included an additional contract term that clarified that the CPUC standard terms and conditions take precedence over any potentially conflicting terms in the Agreement. The IOU and the bidder agreed to all terms and conditions. The IE also reviewed the Contract against the PRG's Contract Checklist and found no issues with SoCalGas' contract.

d. *Conformance with CPUC Policies and Objectives*

The table below summarizes how the program elements align with those CPUC policies and other PRG recommendations that the contracted Program should support.

Table 4.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	IE Response
IOU should develop a standard contract template with CPUC standard terms to be compliant with applicable CPUC policies, decisions, or specific directives, consider PRG and IE feedback, and not use language/concepts that are inappropriate or typically not used in the EE industry. (PRG Guidance on Contracting, Section 6.1.1)	See Section 4.1.c.
The Contract must include all CPUC standard (non-modifiable) contract terms in the contract. (6.1.2)	See Section 4.1.c.
The Contract includes CPUC modifiable contract terms as a starting point. (6.1.3)	See Section 4.1.c.
Other aspects of the contract template do not conflict with CPUC terms and conditions, policies, decisions, or direction. (6.1.4/5)	See Section 4.1.c.
IE pool reviews standard contract template and provides comments. (6.1.6)	Confirmed. The IE reviewed the contract template. The IE recommended that the IOU include an additional term that specifies that the CPUC standard terms and conditions take precedence over all contract terms. The IOU accepted this recommendation.
IOU must present its contracting negotiation process to the IE/PRG for review. (6.2.1)	Confirmed. The IOU informed the IE and PRG of the process and approach to the contract.
IEs should monitor all bidder communications during the negotiation process. (6.2.2)	Confirmed. The IE was included in all bidder communications and attended all meetings.
IOUs should explain their contracting process to selected bidders. (6.2.3)	Confirmed. The IOU presented the contracting process to the bidder at the initial meeting.

[36] Decision 18-10-004, OP 7.

Table 4.3: Contract Alignment with CPUC Policies and Objectives	
PRG Guidance and Other Considerations	**IE Response**
Before execution, the assigned IE and PRG should review the final contracts for each Program recommended for award. (6.3.1)	Confirmed. The IE reviewed the final contracts.
A reasonable number of KPIs.	Confirmed. The Contract includes six KPIs addressing program performance which appears reasonable.
KPIs make sense in terms of measuring, scale, and timeframe.	Confirmed.
The contract includes appropriate performance issue remedies.	Confirmed. The Contract identifies the process to remedy KPI performance issues, including program cancellation, if remedies are ineffective in increasing performance to acceptable levels.
The contract clearly addresses Support Services.	The Contract identifies IOU services (e.g., customer data) it will provide to the implementers. These services are limited to activities (e.g., review of marketing materials, secondary inspections, etc.) expected in the Program Administrator's role. The implementer is not charged a fee for these standard services. The Contract also allows the implementer to receive enhanced customer outreach and program recruitment by SoCalGas' industrial account executives.
Innovative aspects of the Program are retained.	Confirmed.
If applicable, IDSM components are included.	In the Program Manual, the implementer will also elaborate on plans to ensure customers are informed of available EE programs and other demand-side management programs, as applicable.
If applicable, program considerations for Hard-to-Reach (HTR) and Disadvantaged Communities (DAC) are incorporated.	Confirmed. The Contract includes program participant goals to promote EE to HTR and DAC customers.
Changes proposed by the IOU and the implementer were reasonable and fair.	Confirmed.

e. Uniformity of Contract Changes

Not applicable. SoCalGas negotiated with only one party in this solicitation.

4.2. Final Selection

SoCalGas made its final selection based on the outcome of its evaluation and ranking of all the proposals. SoCalGas concluded that Enervee could offer the best marketplace experience for SoCalGas' residential and SMB customers. The IE agrees with the IOU's evaluation and final selection, as the Enervee proposal received the highest-ranked score based on a fair evaluation of all proposals received.

4.3. Contract Execution

SoCalGas executed the Marketplace Program contract with the bidder on December 29, 2022. The contract is effective as the Contract value and term are below the CPUC's threshold for seeking CPUC contract approval. SoCalGas and the implementer must complete the Program's Implementation Plan by February 23, 2023.

4.4. PRG and IE Feedback to Contracting

The IOU sought and considered PRG and IE feedback throughout the contracting process. As previously stated, SoCalGas' standard contract agreement met the PRG contracting recommendations. The IE actively monitored all contract negotiations. The IOU also met with the IE to discuss emerging contracting issues throughout the contracting phase. Section 4.1 of this Report addresses many of these issues.

SoCalGas presented the general status of contract negotiations to the PRG at monthly PRG meetings throughout contract negotiations. The IE also presented a comprehensive list of emerging issues to the PRG at the monthly meetings. SoCalGas should strive to share more details during the PRG monthly meetings on ongoing contracting issues emerging during negotiations in future solicitations.

SoCalGas sought input from the PRG and IE on the draft Contract. The PRG did not provide any comments on the draft Contract. The IE provided 39 discrete recommendations to SoCalGas on the draft Contract. SoCalGas agreed to accept or partially accept all IE recommendations. Below is a list of key IE recommendations and the IOU's responses.

Table 4.4: IE Contract Recommendations		
Topic	**Comment**	**IOU Response**
Insurance Requirements	The insurance requirements should be adjusted to reflect the midstream program engagement.	Insurance requirements are adjusted to reflect the services the implementer will provide in delivering the online marketplace.
Program Innovation	The program innovation is one of two key policies as to the reason for the CPUC to expand third-party program implementation. The Program's innovation should be summarized in the Scope of Work to ensure 3P implements such innovations in program design and delivery.	The Contract requires the implementer to deploy its innovative program strategies.

5. Assessment of Final Contract

The final Marketplace Contract represents the bidder's original program design. The final Program should be considered third-party proposed, designed, and delivered consistently with CPUC's definition of a third-party program. The contract complies with all specific CPUC directives related to third-party contracts, including incorporating all standard CPUC terms and conditions without modification. The final KPIs and implementer compensation structure allows the IOU to actively monitor key program management and performance elements, including achieving EE product sales through the online Marketplace.

5.1. Bid Selection Respond to Portfolio Needs

The purpose of SoCalGas' Marketplace Program was to encourage more customers to participate in their existing energy efficiency programs. By educating customers and relevant market actors about energy management technologies and other EE products and services, SoCalGas sought to increase engagement. SoCalGas had specific preferences for the Marketplace presented in its solicitation materials, which are listed below along with whether the proposed Marketplace met those preferences.

Table 5.1: List of IOU Preferences for Marketplace Program	
IOU Preference	**Outcome**
Increasing general market and customer awareness of energy savings rebate programs, EE education, energy tips, and EE opportunities.	The Marketplace includes an educational platform that supports SoCalGas residential and SMB programs and a transactional e-commerce platform featuring Eco Financing, which compliments SoCalGas programs by integrating instant, point-of-sale rebates on qualified products.
Providing outreach education and support for customers, including residential, smaller-sized customers, large customer groups in nonresidential sectors, and market actors to develop knowledge, skills, and abilities to participate in various programs and EE opportunities.	The solicitation successfully procured a marketplace program that addresses residential and small business EE product needs. The solicitation did not result in a marketplace strategy that addressed other nonresidential customer groups. However, by the nature of today's consumer-focused EE marketplaces, expanding such a strategy to other customers is not realistic as larger, more sophisticated customers rely on different market channels (e.g., wholesalers, distributors, etc.) to procure EE equipment.
Driving eligible customers to participate in SoCalGas' EE rebate program offerings and guiding eligible customers to the ESA program, CARE, and other demand-side management opportunities.	The Marketplace will serve as a hub for customers to manage their energy better, whether by making efficient purchases, participating in other SoCalGas programs, or taking advantage of income-qualified CARE tariffs, just to provide some examples.
Supporting customers and market actors with technical and EE information and advice in adopting EE technologies and services.	The Marketplace includes increasing demand for energy-efficient products and services; influencing supply chains (including manufacturers, retail fulfillment partners, and installation contractors); building strategic partnerships to tap into natural replacement cycles and offering affordable financing to consumers; increasing the sales share of cutting-edge, efficient products, by tying financing to efficient products only; and enabling more equitable access to capital.

5.2. Bid Selection Provides the Best Overall Value to Ratepayers

a. Introduction

The Local SoCalGas Marketplace powered by Enervee Program received the highest overall score in the competitive solicitation. In its evaluation, SoCalGas determined that Enervee's Marketplace provides the best overall value to ratepayers and, most importantly, the best opportunity to advance the online purchase of EE products to SoCalGas' residential and SMB customers. The IE monitored every aspect of the solicitation, including the IOU's evaluation leading to SoCalGas' final selections. Based on this monitoring, the IE agrees with SoCalGas' assessment that the Marketplace provides the best value to the IOUs' ratepayers among the proposals received in this solicitation.

b. Program Description

The implementer-designed local Marketplace Program will encourage participation in SoCalGas EE programs to drive residential and small business customer retail purchases of qualified EE measures, especially in DACs, by eliminating market barriers, including financial barriers critical to engage DAC and HTR customers. The Marketplace includes an educational platform that supports SoCalGas residential and nonresidential programs and a transactional e-commerce platform featuring Eco Financing, which compliments SoCalGas programs by integrating instant, point-of-sale rebates on qualified products.

c. Budget and Cost-Efficiency

The program budget is $4,851,400. The final budget is within the CPUC's cost category targets, except for the direct implementation category (20% target). Given that the Program is an online platform, the direct implementation (DI) budget was deemed reasonable by SoCalGas. The budget does not reflect the administration budget. Such costs are likely presented in the marketing and DI cost categories. Parties have agreed to revise the administration budget as part of the Program's Implementation Plan. Any such revision will not increase the overall budget.

Table 5.2: Program Budget					
Cost Category	2023	2024	2025	Total	% of Total Budget
Administration *	$0	$0	$0	$0	0%
Marketing	350,200	343,200	343,200	1,036,600	21%
Direct Implementation	1,307,032	1,253,084	1,253,884	3,814,800	79%
Customer Incentives	0	0	0	0	0%
Total EE Budget	**$1,657,232**	**$1,597,084**	**$1,597,084**	**$4,851,400**	100%

* - Parties have agreed to include an estimate of the program administrative budget in the final Implementation Plan.

SoCalGas limits the implementer's budgets to the annual cost categories presented in the Contract, as shown above. For example, suppose the unspent and uncommitted cost category budget remains at the end of a program year. The implementer cannot carry this remaining budget to the next program year without SoCalGas' approval. The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period.

d. Expected Program Performance

The Program expects to encourage customers to purchase 8,950 EE products, including 2,850 EE products purchased by the CPUC-defined HTR and DAC customers over three years, as shown in Table 5.3 below. The Program also includes a goal to promote Eco financing to residential renters.

Table 5.3: Program Deliverables				
Forecast	2024	2025	2026	Total
EE Products Purchased	3,508	2,721	2,721	**8,950**
DAC & HTR customer participation*	695	808	1,347	**2,850**
Share of renters purchasing with Eco Financing	10%	10%	10%	**10%**

e. Cost-Effectiveness

As a non-resource program type within the CPUC's Market Support category of the EE program portfolio, the Marketplace Program is not required to include a cost-effectiveness forecast.

f. IDSM

Within the Program's Implementation Plan, the implementer will elaborate on plans to ensure customers are informed of available EE programs and other demand-side management programs, as applicable.

g. Disadvantaged Communities and Hard-to-Reach Customers

The Program will promote the Marketplace to HTR customers and customers in DACs. The

Contract assigns a specific DAC goal to the Program's overall goals.

h. Disadvantaged Worker Policy

The implementer will comply with the CPUC's disadvantaged worker policies. The implementer will provide plans to promote these policies in the Program's Implementation Plan. SoCalGas requires the implementer to report its efforts on an annual basis. The IE encourages the IOU and implementer to provide greater detail on how the Program will support these CPUC policies in the final Implementation Plan.

i. Workforce Standards Policy

The CPUC workforce standards requirements do not apply to the Marketplace Program, where the incentive is paid to any manufacturer, distributor, or retailer of HVAC equipment unless the manufacturer, distributor, or retailer installs or contracts for the installation of the equipment.

j. M&V Plan

The Contract requires the implementer to coordinate with SoCalGas on a final M&V Plan. The Plan should describe how the Program will perform data collection, savings estimations, verification, and reporting. The final detailed M&V Plan will be included as part of the final Implementation Plan.

[redacted]

m. Performance Assurance

There is no performance assurance presented in the Contract. SoCalGas does not typically impose such requirements.

n. Innovation

The Marketplace Program relies on Enervee's new Commerce solution, featuring Choice Engine technology, integrated Eco Financing, and sophisticated digital marketing to increase participation in cost-effective EE programs. Innovations include:

- **One-stop shop for energy management.** The Marketplace will serve as a hub for customers to manage their energy better, whether by making efficient purchases, participating in other SoCalGas programs, or taking advantage of income-qualified CARE tariffs, to provide some examples.
- **Efficient shopping ecosystem to eliminate barriers**. The Marketplace offers an efficient shopping ecosystem, bringing together strategic partners to eliminate market,

cognitive/psychological, and financial barriers and transform markets at scale.

- **Inclusive Eco Financing.** As opposed to a one-time, lump sum payment, customers can pay with no money down and low monthly payments via credit-enhanced term loans. The implementer will partner with financial institutions and CAEATFA to offer affordable payment options, making it easier for people to buy the most energy-efficient products that meet their needs while building good credit.

o. *Key Performance Indicators*

The Program's KPI achievement is the primary means of assessing the Program's operational performance on an ongoing basis. There are six KPIs tied to program performance. The KPI performance is monitored monthly throughout the program implementation period. SoCalGas will use the KPIs to determine: (1) the program's success and whether or not corrective actions are required; (2) if funding should be added or removed from the program; and (3) program renewals toward the end of the contract term. [redacted]

6. Overall Assessment of Solicitation

SoCalGas' conduct during the local industrial program solicitation was fair, equitable, and transparent.

Reduce Contract Negotiation Schedule

Negotiations, including contract execution, spanned over 27 weeks, extending well beyond the Energy Division's target of completing contract negotiations within 12 weeks. In future solicitations, the IE recommends that the IOU create a standard weekly negotiations schedule that includes predetermined meeting agendas and deliverables at the onset of negotiations. The preset schedule will allow parties to track deliverables, work on multiple issues concurrently, and make available the necessary resources (e.g., engineering, legal, etc.) by both parties to complete deliverables and arrive at resolutions promptly. Parties can agree to the set schedule and agenda at the onset of negotiations.

RFP Scorecard Instructions

[redacted]

7. Implementation Plan Assessment

As requested by the PRG, the IE's review of the Implementation Plan (IP) was limited to confirming the draft IPs alignment with the CPUC-approved Contract. The IE review did not address whether the draft IP complied with the CPUC's IP requirements. In the future, the IOU should coordinate with the CPUC's Energy Division to confirm adherence to the Energy Division's Implementation Plan Template during the IP development or after the IOU has uploaded the IP to the CPUC's CEDARS data and reporting system.

7.1. Results of the Draft IP Review

The IE reviewed the draft IP for consistency with the executed Contract. Table 7.1 summarizes the results of the draft IP review compared to the standard PRG Checklist.

Table 7.1: Draft Implementation Plan Comparison with Executed Contract		
Topic	**Consistent**	**IE Notes**
Program Overview	Yes	
Program Summary (incl. budget, impacts, cost-effectiveness, sector, etc.)	Yes	
Program Delivery (incl. program offerings, target market)	Yes	
Program Design (incl. strategies, tools, methods, innovation, integrated demand side management, program logic model, etc.)	Yes	
Compliance (workforce standards, disadvantaged workers, etc.)	Yes	
Metrics	No	Metrics were not included in the draft IP.
Program Rules (incl. customer eligibility, contractor eligibility, eligible measures, QA/QC Plan, etc.)	No	The Program Manual was not provided.
Program Logic Model	Yes	
Incentive Levels & Workpapers	n/a	Non-resource program.
Workshop held on February 16, 2023	Yes	

7.2. Public Workshop Overview Summary

SoCalGas held a public workshop on the draft IP on February 16, 2023. The webinar was lightly attended (about 10 participants, including a PRG member). The IP Workshop presentation was consistent with the CPUC-approved Contract. The implementer presented the Marketplace Program, including an overview of the program's online platform and the consumer's purchase, instant, consumer-friendly financing, and installation opportunities. The implementer explained that its prior marketplace offering experienced that 85% of the residential customers who used the Eco Financing option were considered underserved. The implementer explained that the Marketplace would target residential customers in DACs and all SMBs to inform them of the Marketplace opportunities.

Workshop participants asked questions about the program's financing offering and expected program launch date. The implementer explained that the new SMB Marketplace, directed at smaller business customers, is expected to be available by 2024. The Marketplace will offer financing (Eco Financing) for residential customers. Loans will be linked to customers who purchased the product. To assist SMB customers, the implementer will investigate the opportunity to leverage Go Green Business Financing and future state-administered loan programs.

The participating PRG member noted the current lack of an instant point-of-sale (POS) approval for commercial EE customers (as there already is for residential customers) and that the Eco Financing (based upon CAEATFA's GoGreen Financing (GGF)) GGF may not be widely utilized by commercial customers. The PRG member stated that CAEATFA is working towards onboarding a lender which will offer POS instant approval for the GoGreen Business program. Enervee acknowledged this and indicated they hoped Eco Financing would "go live" by 2024, but that there is no confirmed date yet for instant POS approval and financing for commercial customers.

The PRG member inquired whether Enervee waives the typical 12-month billing review requirement, given that CAEATFA does so for Go Green Financing. Enervee indicated they would look into this issue.

The PRG member also inquired whether SCG and/or Enervee would tie the financing to a specific customer meter, producing more cash flow and lower risk, reducing costs. IOUs have thus far chosen to only tie the OBF to specific customers, which has the disadvantage of an uncertain revenue stream if the customer moves to another location. SCG responded that residential customers are tied to a specific address, but the situation is more complex with commercial customers.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the

LOCAL MULTIFAMILY WHOLE BUILDING SOLICITATION

Reporting Period: October 2022 through March 2023

Prepared by:
Apex Analytics LLC

Disclaimer: This Report includes sensitive and confidential information.

Local Multifamily Whole Building Solicitation

1. Solicitation Overview

This Report covers the activities associated with the Local Multifamily Whole Building (MF Whole Building) solicitation for the period from October 2022 through March 2023. During this period, SoCalGas negotiated and executed a contract with the shortlisted bidder. The IE (Apex) monitored this process, reviewed the contract, and provided feedback.

1.1. Overview

The purpose of the MF Whole Building solicitation is to invite bidders to develop innovative, resource-based program ideas and solutions to address specific segment barriers, resulting in more comprehensive and deeper, longer-term sustained energy savings.[37] The solicitation is based on the needs and strategies provided in SoCalGas' Business Plan as a tactic to achieve deeper EE savings. One of SoCalGas' portfolio goals is to achieve, at a minimum, 60% third-party programs by the year 2022. Working towards this goal, the MF Whole Building solicitation is for third-party Program Implementers to design and implement innovative programs that deliver EE savings.

This solicitation was designed to work in collaboration with other SoCalGas and Statewide multifamily EE programs such as no-cost direct install, appliance rebates, ESA[38], financing, whole building incentives, etc.[39] Therefore, the solicitation defines that bidders would be required to collaborate with other programs and be knowledgeable about all multifamily EE programs and inform and educate potential participants of all program options so customers can select the program/service(s) best-suited for their needs.

a. Scope

In the SoCalGas territory, the multifamily customer segment represents 1.8M units and almost 30% of residential energy consumption across SoCalGas territory. The MF Whole Building program will be open to property owners and/or managers of existing multifamily construction with two or more units and may include the common area of Home-Owners Associations. Multifamily properties in the territory are diverse and vary by many characteristics, including but not limited to, energy consumption, type of building construction, age of building, climate zone, and metering configuration.

The budget of this solicitation is expected to be between $6,000,000 and $8,000,000 per year for 2023–2027. The program is expected to serve predominantly market rate properties, yet also be able to serve properties that are affordable or low-income housing, which either do not meet the Multifamily ESA program requirements or that opt not to participate in Multifamily ESA.

This solicitation encourages the exploration of all relevant implementation tactics to produce a cost-effective program to maximize natural gas, electric, and water efficiency savings for multifamily customers. The RFA suggested Whole Building retrofit tactics such as: adopting EE natural gas

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[37] See SoCalGas Business Plan, Pg. 244 (Public Sector Vision) & Pg. 256-258 (Public Sector Energy Usage), available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

[38] For information on the SoCalGas Energy Savings Assistance Program visit https://www.socalgas.com/save-money-and-energy/assistance-programs/energy-savings-assistance-program

[39] A listing of current SoCalGas Multifamily Programs https://www.socalgas.com/for-your-business/energy-savings/multi-family-savings. A listing of current statewide program implementation plans is provided in CPUC's Cedars website https://cedars.sound-data.com/programs/list/

savings measures; bundling equipment or technology solutions to make high-cost projects more accessible, including innovative and new technology/equipment; reaching all types of eligible Multifamily properties including those in DAC and HTR communities; delivering technical assistance and project management throughout the lifecycle of projects; leveraging available financing options; establishing an industry network that will help cross promote the program across various marketing and outreach channels; partnering with local contractors and vendors; and providing EE education for customers.

Bidders were encouraged to target specific customers based on criteria such as, but not limited to, specific climate zones, income levels, building configuration, varying types of water heating/space heating systems, HTR status, and members of DACs.

b. *Objectives*

The objective of this solicitation is to achieve more comprehensive, property-wide/whole-building, long-term energy savings. SoCalGas is seeking innovative programs that will assist SoCalGas in achieving portfolio and sector-level metrics related to the residential multifamily customer segment, as well as engaging and securing participation from DAC and HTR customers.

1.2. Timing

The MF Whole Building RFA was released in March 2022 with an anticipated program launch in the first quarter of 2023. During this period, SoCalGas negotiated and executed a contract with the shortlisted bidder. Key milestones associated with the solicitation are shown in Table 1.1.

Table 1.1: Key Milestones

Milestones	Completion Date	Weeks to Complete
RFA Stage		
Solicitation Launch	March 24,2022	12 weeks
Bidders' Conference	March 31, 2022	
Offer Submittal Deadline	April 29, 2022	
RFA Shortlist to PRG	NA	
Shortlisting Notification	NA	
RFP Stage		
Solicitation Launch	July 15, 2022	12 weeks
Bidders Conference	July 21, 2022	
Offer Submittal Deadline	September 1, 2022	
RFP Shortlist to PRG	October 4, 2022	
Shortlisting Notification	October 14, 2022	
Selections & Contracting Stage		
Contracting and Negotiations Period	October–December 2022*	10 weeks
Contracts Presented to PRG	December 6, 2022	
Contract Execution	December 28, 2022	

* Expected timeline

1.3. Key Observations

The contract negotiations were successful in procuring a third-party implementer to conduct program outreach that will help meet SoCalGas' D.16-08-019 obligations, implement its Business Plan, and provide EE benefits to its customers and the State. SoCalGas' conduct and management throughout negotiations were organized, timely and fair.

Table 1.2: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/ Response)
Contract Negotiations	The language about the cost for services that SoCalGas provides under the contract is vague and only provides an expected cost but not an hourly rate, yet bidders are expected to pay these costs as a contract expense.	SoCalGas should develop a range or estimate per hour or per unit to provide more transparency to bidders.	New recommendation.

2. RFA Bidder Response and Selections

This topic was addressed in the October 2021 through March 2022 Semi-Annual Report.

3. RFP Bidder Response and Selections

This topic was addressed in the October 2021 through March 2022 and April 2022 through September 2022 Semi-Annual Reports.

4. Contracting Process

SoCalGas collaborated with RHA on the final program design in terms of measures offered and compensation configuration. The negotiations centered on measure mix updates and changes to the CET due to the updated measures.

RHA's proposed program design did not change substantially from what was proposed. The IE believes the collaboration met the CPUC's definition of a third-party program per OPN 10 of D.16-08-019: "the program must be proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator." Conclusions of Law 57 from the same Order clarifies that "utilities may consult and collaborate, using their expertise, on the ultimate program design implemented by the third party." The collaboration and consultation between RHA and SoCalGas did not result in a violation of the requirement that the program be designed by the third party.

The contract negotiations between SoCalGas and RHA were transparent, and effectively managed by SoCalGas program and procurement staff.

5. Assessment of Final Contract

As described in RHA's contract, the Comprehensive Multifamily Incentive (CoMFI) Program offers the following services:

- Identifying eligible participants
- Conducting marketing and outreach
- Educating participating customers
- Performing facility audits
- Providing energy engineering and technical assistance
- Supplying design and procurement advice
- Identifying and paying financial incentives/rebates to customers

- Conducting measurement and verification (M&V) of program results
- Providing optional turn-key construction management
- Promoting On-Bill Financing (OBF)

5.1. Quantitative Metrics

Table 5.1 shows a summary of the quantitative information from the RHA contract.

Table 5.1: Contract Summary	
Topic	**Contract**
Offerings	Marketing and outreach, facility audits, energy engineering and technical assistance, design and procurement advice, and financial incentives or rebates
Target markets	Multifamily sector participants
3-year Savings Goals	2,009,289 Therms (Gross) 1,406,502 Therms (Net)
[redacted]	
3-Year Budget	$18,000,000
DBE %	100%
Contract Period	3 years

The CoMFI Program aligns with California energy policies in helping achieve energy savings and other benefits. Specifically, the program aligns with Senate Bill (SB) 350's pursuit of doubling statewide EE savings by 2030 and seeking to overcome barriers to HTR and DACs participating in EE programs.[40] The final Contract included clarifying changes made in the following contract sections to accommodate IE comments.

- Attachment 1 – Reporting Requirements
- Attachment 2 – SoCalGas Program Support Services
- Attachment 9
- Attachment 11
- Schedule A
- Schedule B
- Schedule C
- Schedule F

6. Overall Assessment of Solicitation

The SoCalGas Multifamily sector solicitation was conducted fairly, transparently, and without bias. The overall process for the solicitation from RFA documents to contract negotiations was transparent and effectively run. SoCalGas effectively ran the internal processes for internal bid scoring as well as PRG and IE review of all steps in the process and negotiated the contracts in 10

[40] SB 350 is the Clean Energy and Pollution Reduction Act of 2015. https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350

weeks.

There were some issues raised by the IE and PRG during the solicitation process, which were largely resolved. SoCalGas also used lessons learned to improve subsequent solicitations.

Overall, SoCalGas' Multifamily sector solicitation produced the RHA CoMFI Program contract that will enable the Company, its customers, and the State to benefit from additional program participation and ultimately more efficient use of energy.

7. Implementation Plan Assessment

This solicitation activity has not yet been completed. Future Semi-Annual Reports will address this topic.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the

ENERGY ADVISOR PROGRAM SOLICITATION

Reporting Period: October 2022 through April 2023

Prepared by:
MCR Corporate Services

MCR Performance Solutions, LLC

Disclaimer: This Report includes sensitive and confidential information.

Energy Advisor Program Solicitation

1. Solicitation Overview

1.1. Overview

The purpose of this solicitation is to invite bidders to develop an innovative and comprehensive non-resource program to increase non-residential customer participation in SoCalGas EE programs by educating customers on energy management technologies, EE products, programs, resources, and services.

a. Scope

Per Decision (D.)18-01-004, the CPUC typically requires the IOUs to conduct a two-stage solicitation approach for soliciting third-party program design and implementation services as part of the EE portfolio. The two-stage approach begins with an RFA stage, followed by a full RFP stage. D.18-01-004 also allows for one-stage solicitations if there is a specific schedule-related reason only one stage is possible. In this case, SoCalGas requested a one-stage solicitation because it sought to begin the Energy Advisor program with Implementation Plan development in the first quarter of 2023. SoCalGas' request was granted by the CPUC. Therefore, the Energy Advisor program solicitation will consist of only the RFP stage.

The successful bidder would implement the Energy Advisor program throughout the SoCalGas service territory. The program's total budget is up to $629,000 for the first year (2023), and then $750,000 per year, prorated, for a total of three years, anticipated to begin Q1 2023 to Q1 2026. SoCalGas could award the entire solicitation budget to one bidder or contract with multiple bidders. Bidders had the option of dividing the budget between program years in a manner consistent with their program design. Bidders had the option to submit a proposal that addressed only a portion of the scope of work.

b. Objectives

The Energy Advisor program should emphasize customer education through comprehensive focused energy audits tailored to each segment: commercial, industrial, and agricultural. This is to ensure customers can easily understand energy savings opportunities according to their specific situation, return on investment, and business priorities.

The Energy Advisor program is intended to provide the following benefits to the SoCalGas EE portfolio:

- Conduct analyses of customers' needs through an assessment/audit to identify cost/benefit opportunities, suitable program support, possible energy savings, and key indicators that will motivate customers to implement energy savings recommendations.
- Provide education and support for customers to develop knowledge and dexterity to identify available EE resources, notice opportunities for energy savings, and participate in various programs within the commercial, industrial, and agricultural segments.
- Drive eligible customers to participate in SoCalGas' non-residential EE program offerings and implement methodologies to encourage customer participation in EE programs or facilitate behavioral changes after the initial customer touchpoint.
- Support customers with technical EE information and tailored advice in adopting EE technologies and services. The approach will account for customers' specific priorities,

schedules, financial situation, accessibility, and savings potential.

1.2. Timing

Key milestones associated with the Energy Advisor program solicitation are shown in Table 1.1.

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFP Stage		
Solicitation Launch	August 26, 2022	11 weeks
Bidders Conference	August 31, 2022	
Offer Submittal Deadline	September 23, 2022	
RFP Shortlist to PRG	November 1, 2022	
Shortlisting Notification	November 9, 2022	
Selections & Contracting Stage		
Contracting and Negotiations Period	November 18–December 15, 2022*	6 weeks
Contracts Presented to PRG	December 15, 2022 (Off-Cycle)	
Contract Execution	December 27, 2022	

* Note: Contract negotiations originally ended on December 15. Negotiations were reopened on December 21 in response to comments from the PRG.

1.3. Key Observations

Table 1.2 lists the key issues, observations, and recommendations from the IE's review of the Non-Res EE Advisor Program solicitation during this reporting period.

Table 1.2: Key Issues and Observations			
Topic	Observations	IE Recommendations	Outcome (IOU Action/Response)
RFP Stage			

[redacted]

Table 1.2: Key Issues and Observations			
Topic	Observations	IE Recommendations	Outcome (IOU Action/Response)
Selection & Contracting Stage			
Inserting the IE Into the Negotiations Process.	SoCalGas sent the IE's comments on the contract package to the bidder and identified them as the IE's comments. This IE is concerned that this practice unnecessarily takes the IE out of its independent monitoring role and puts it in the middle of the IOU's negotiation with its bidder.	The IOUs should consider comments and recommendations from the IEs and PRG and develop their position before sharing them with the bidder as part of their negotiation. It would be helpful for the PRG to clarify this issue and consider including guidance in the next round of the PRG Guidance Document.	New Recommendation
Implementation Plan (IP)	SoCalGas did not allow the IE to review the edited IP Draft prior to the Stakeholder Workshop to ensure the IE's comments on the draft IP had been addressed. As a result, PRG members raised the same issues at the workshop that the IE had addressed in Round 1 comments.	The IE believes that in future solicitations, the IE should have an opportunity to review a revised Draft IP prior to its presentation at the Stakeholder IP Webinar. With this, the IE can better ensure that the Draft IP presented by the implementer addresses the IE's concerns and provides Stakeholders with sufficient program information to understand and appraise the program.	New Recommendation

2. RFP Bidder Response and Selections

Section 2 activities are included in the April 2022 through September 2022 Semi-Annual Report.

3. Contracting Process

The IE met with SoCalGas prior to contract kickoff to begin preparations for its three upcoming negotiations resulting from its three one-stage solicitations:

- HERS Rater Training,
- Non-Res EE Advisor, and
- Retail Channel Support.

During this meeting, the IE and SoCalGas discussed approaches and strategies for handling three contract negotiations in quick succession and SoCalGas' tight contracting deadlines. Specific topics discussed included:

- Overlap of SoCalGas personnel on its three negotiating teams.
- Frequency and duration of negotiation meetings.

- Potential for delays due to overlapping negotiations.
- Duration of negotiations for each solicitation.
- IE availability and assignments.

On November 15, SoCalGas sent the Agreement Negotiation Package to RHA for its review. This package contained the full draft contract consisting of the Standard Services Agreement, many additional schedules and attachments, and the planned negotiations timeline. The two parties agreed to meet on November 18 to kick-off negotiations.

3.1. Contract Negotiations

SoCalGas' negotiation timeline with RHA was extremely aggressive because negotiations started in mid-November, and SoCalGas has a goal of executing the contract before the end of 2022 so it could include this solicitation in its 60% third-party program goal.

SoCalGas initiated contract negotiations with RHA with a Kick-Off Meeting on November 18. Prior to that meeting, on November 15, SoCalGas sent RHA the entire contract document package. SoCalGas had populated several of the contract documents with program information from RHA's proposal and marked up that program information with its own comments. SoCalGas asked RHA to review contract documents, make redline edits, if needed, and return the package to SoCalGas by November 22.

At the Kick-Off Meeting, SoCalGas presented an overview of the negotiation process, including objectives and outcomes. RHA introduced its project team and presented a summary of its proposed program, including goals, budget, and timeline. Both parties agreed upon weekly meetings to keep the negotiations moving forward.

The parties spent the first two negotiation sessions discussing RHA's redlines, nearly all of which were readily agreed upon after short clarifying discussions. Because RHA's redlines were minimal, the discussions dealt mostly with the types of information SoCalGas wanted to see in the contract sections requiring information from RHA. Towards the end of negotiations, RHA added more detail on its plans for program marketing and outreach and breakouts by size of the stores that RHA will visit and assess in response to recommendations by the IE.

In all, SoCalGas and RHA met to negotiate only six times over four weeks for a total of about six hours, yet they completed their negotiations in this time. This is likely due to four reasons:

1) Both parties were fully aware of the extremely short timeline from the beginning of contract negotiation;
2) RHA had recently completed negotiation with SoCalGas for another program, so RHA was familiar with SoCalGas' approach to negotiation;
3) RHA's redlines of the draft contract documents were comparatively minor; and
4) Both parties had the necessary personnel on each negotiation call which had the effect of minimizing the need to defer discussions until the appropriate person(s) were on the call.

To expedite review of the draft final contract, SoCalGas requested that the IE review the contract's constituent documents (Schedules and Attachments) as SoCalGas and RHA completed each document, rather than waiting to review the draft final contract package in its entirety. This practice may have benefited SoCalGas because it allowed SoCalGas to act more immediately on the IE's comments and recommendations to better prepare the final documents. However, it added a level of complexity and document version control for the IE. It also meant the IE reviewed the same document multiple times, since even though the IE had already reviewed the final contract's constituent documents, the IE still had to review the final assembled contract.

a. Collaboration on Final Program Design and Scope

As noted above, the negotiations between SoCalGas and RHA moved quickly and smoothly. Document turnaround times were very quick, which was difficult for the IE, but allowed prompt resolution of the few issues that arose. [redacted]

In addition to the Basic Support Services offered at no cost, RHA elected to take advantage of SoCalGas' Enhanced Account Executive and Customer Data Analytics Support Services.

b. Fairness of Negotiations

The IE observed nothing during the negotiation process to indicate that the negotiations were anything other than fair and transparent. Both parties worked cooperatively, diligently, and quickly to settle the few differences that appeared in true partnership fashion. The IE is satisfied that SoCalGas and RHA have negotiated a fair contract for the "Business Energy Efficiency Survey" ("BEES") Program that benefits all parties, including ratepayers.

c. Changes to Contract Terms & Conditions

RHA requested no modifications to Schedule A1 – Standard and Modifiable Terms and Conditions. However, RHA did request several changes to the Insurance section of SoCalGas' General Terms and Conditions (Schedule A), as listed below, all of which were allowed by SoCalGas:

- Removal of "Pollution Liability" (11.9.4) since RHA's scope of work does not include services that could potentially result in sudden, accidental, and/or gradual pollution conditions.
- Removal of "Professional Liability" (11.9.6) since RHA's scope of work does not include professional services/advice (e.g., accountants, consultants, etc.).
- Removal of "Aviation Liability" (11.9.8) since RHA's scope of work does not include the use of aircraft.

d. Conformance with CPUC Policies and Objectives

Table 3.1 summarizes the alignment of the "BEES" Program with CPUC Policies and Objectives.

Table 3.1: "BEES" Program – Alignment with CPUC Policies and Objectives			
Element / Requirement	Yes	No	IE Comments
The contract includes all CPUC standard and modifiable contract terms	✓		Includes all CPUC standard and modifiable contract terms with modifications.
No modifiable contract terms and conditions (or Term Sheet) proposed by SoCalGas conflicted or otherwise undermined the meaning or intent of the CPUC terms and conditions for TPI EE programs.	✓		Included all CPUC standard and modifiable contract terms with no modifications.

Table 3.1: "BEES" Program – Alignment with CPUC Policies and Objectives			
Element / Requirement	**Yes**	**No**	**IE Comments**
As required, SoCalGas included standard contract language requiring RHA to coordinate with other program administrators in the same geographic area.	✓		Included in Part B, Section G of Schedule A – Standard Contract Terms and Conditions.
As required, SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/P Guidelines, in the development of the contract.	✓		SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFP Guidelines, in the development of the contract. RFA Guidelines not relevant for this one-stage solicitation.
Does the contract include an assignability clause (stating that winning bidders will contract with the IOU or its successors and assignees) to ensure that programs can continue to operate smoothly in the event of a restructuring or bankruptcy?	✓		Included in Section 26 of Schedule A.
Does the contract comply with state law and the Contractors State License Board requirements that RHA and its subcontractors hold valid contractor's licenses applicable to their program for contract execution and advice letter approval?	✓		Included in Section 12.3 of Schedule A.
Does the contract address: KPIs, other performance metrics (e.g., innovation, etc.), payment terms, program-level M&V requirements (including the use of NMEC), and include a disadvantaged worker plan?	✓		Included in Section B.2 of Schedule A1, Part B; Section 4.1.14 of Schedule B; Section 2.3 of Attachment 1; and Section 1.1 of Attachment 8.
During contract negotiations, did SoCalGas stay true to its established process?	✓		Overall, SoCalGas stayed true to its established process.
Was the final contract based on the proposed program?	✓		Yes, other than some fine-tuning of costs to release funds to obtain Enhanced Account Executive Support Services from SoCalGas.
Does the final compensation structure match the proposed structure?	✓		[redacted]
Do the final budget and savings goals match those of the proposed program?	✓		RHA's proposed and contracted budgets and number of site assessments match.
Were negotiations transparent? (For example, SoCalGas set clear expectations with bidder, all negotiations were monitored by the IE, and no conflict-of-interest issues were raised.)	✓		Expectations were discussed at the Negotiations Kick-Off Meeting and all subsequent communications were proper and conducted with the IE monitoring.

e. *Uniformity of Contract Changes*

Not applicable – SoCalGas negotiated only one contract with one bidder.

3.2. Contract Execution

The contract between SoCalGas and RHA for RHA's "BEES" Program was fully executed by both parties on December 27, 2022.

3.3. PRG and IE Feedback to Contracting

During negotiations, the IE expressed concern about the lack of detail in Section 3.1 of Scope of Work, particularly RHA's plans for marketing and outreach of the program. The IE asked SoCalGas to have RHA provide sufficient information to answer several questions:

- How are customers being contacted? (Phone, text, email, letter, site visit, multiple approaches, etc.)?
- How many attempts will be made to contact a customer before giving up?
- If first attempts at one method don't result in contact, will other method(s) be used?

RHA, at SoCalGas' request, added sufficient detail about its marketing and outreach plans to alleviate the IE's concerns.

Near the end of negotiations, SoCalGas sent some of the IE's comments on the draft contract directly to RHA and identified them as the IE's comments. This practice concerned the IE because it unnecessarily removed the IE from its independent monitoring role and put the IE in the middle of the IOU's negotiation with their bidder. The IE recommended that IOUs considered comments and recommendations from the IEs and PRG and develop their own position on those recommendations before sharing them with the Bidder during negotiations. SoCalGas acknowledged its error and assured that it would not repeat it. The IE further suggests that it would be helpful if the PRG could clarify this issue and consider including guidance in the next round of the PRG Guidance Document.

After reviewing the draft final contract, Energy Division staff informed SoCalGas that it was concerned that RHA's HTR and DAC goals for industrial site assessments were proportionally much lower than for the commercial or agricultural sites. They were concerned that industrial HTR/DAC customers were not being prioritized in the same way as their commercial or agricultural counterparts.

SoCalGas maintained that its industrial sector is dominated by a few very large customers, the majority of which are located within the LA area. That, combined with SoCalGas' interpretation of D.18-05-041,[41] meant that the comparatively lower HTR/DAC industrial assessment goals were appropriate.

On December 29, SoCalGas, MCR, and the Energy Division met by phone to discuss the Energy Division's concerns, especially as they relate to the CPUC's definition of HTR across non-residential customers (except for small businesses). On December 30, the Energy Division informed SoCalGas that, according to its research and subject matter experts, SoCalGas was interpreting the language in D.18-05-041 appropriately.

Overall, SoCalGas was very responsive to IE and PRG comments regarding the draft final contract. The ease of negotiations with RHA extended to last-minute changes to the draft final contract, which were made quickly in response.

4. Assessment of Final Contract

RHA's final contract varies little from its original proposal. This section summarizes the characteristics of RHA's final "BEES" Program contract, which the IE believes will provide the best

[41] Defining criteria necessary for a customer to be designated as HTR or DAC.

overall value for SoCalGas' ratepayers.

4.1. Bid Selection Response to Portfolio Needs

SoCalGas's selection of RHA's "BEES" Program is consistent with its portfolio needs as identified in its Business Plan, its Solicitation Plan, and its ABAL filings. RHA's "BEES" Program is designed to meet SoCalGas's goal of ensuring its commercial, industrial, and agricultural customers can easily understand energy savings opportunities according to their specific situation, return on investment, and business priorities.

4.2. Bid Selection Provides Best Overall Value to Ratepayers

a. Introduction

SoCalGas selected RHA's "BEES" Program for contracting after a short and intensive solicitation process. To make its decision, SoCalGas considered all aspects of each bidders' submittal. The one-stage process was new to SoCalGas and did not include the typical cost-effectiveness analysis due to it being a Market Support solicitation. That made it more important that SoCalGas consider more difficult to assess qualities, such as program innovation, outreach to DACs and HTR customers, and whether the program addressed the State's policy initiatives.

The IE is satisfied with the process taken by SoCalGas to select RHA's "BEES" Program and feels that the Program, in addition to being consistent with the goals stated in SoCalGas's Business Plan, provides the best overall value to ratepayers.

b. Program Description

The "BEES" Program is a non-residential energy assessment program that offers SoCalGas customers no-cost site energy assessments and referrals to applicable EE, IDSM, and water conservation programs. RHA will drive "BEES" Program participation by providing a seamless experience that is attuned to customer needs and challenges, minimizes customer touches, and makes it easy to understand and take advantage of recommendations. Services include hosting educational webinars for each non-residential sector, customer screening and acquisition, report generation and presentation to customers, follow-up calls, and meetings with other EE programs to drive constant improvements. Key aspects of the "BEES" Program include:

- Targeted customer engagement to drive program participation.
- Data collection and site assessments to establish customer needs, priorities, and financial situation.
- Tailored short, personalized, and easily digestible reports recommending ways the customer can save energy.
- Report review and education with the customer during the site assessment appointment.
- Customer follow-up to determine if the customer implemented any recommendations, enrolled in any programs, or has any questions.
- Coordination with SoCalGas programs to gauge follow-up with leads.
- Data-driven continuous improvement to analyze the program and inform program design changes, if needed.

c. Budget and Cost Efficiency

The total overall program budget of $2,315,750 over three years for RHA's "BEES" Program is within the solicitation's three-year target budget of $2,316,500. Table 4.1 breaks down the "BEES" Program budget by category by year.

Table 4.1: "BEES" Program Budget Breakdown by Category						
Costs	2023	2024	2025	2026	Totals	% of Total Budget
Administration	$55,896	$75,580	$75,580	$19,394	$226,450	10%
Marketing/Outreach	$25,750	$25,750	$25,750	$2,530	$79,780	3%
Direct Implementation	$546,894	$648,470	$648,470	$165,686	$2,009,520	87%
Incentive/Rebate	$0	$0	$0	$0	$0	0%
Totals	**$628,540**	**$749,800**	**$749,800**	**$187,610**	**$2,315,750**	**100%**

d. Expected Program Performance

[redacted] The "BEES" Program will be open to both small and large Commercial, Industrial, and Agricultural customers, with a focus on DAC and HTR customers. The following tables detail the number of facilities RHA will assess each year overall by type and size and then for HTR/DAC customer sites. RHA seeks to ensure that HTR and DAC facilities are 15% and 41%, respectively, of all sites assessed.

Table 4.2: "BEES" Program Expected Performance Goals – Customer Type / Size						
Customer Type / Size		2023	2024	2025	2026	Totals
Commercial	Small/Medium	338	459	459	**120**	**1,376**
	Large	34	46	46	**12**	**138**
Industrial	Small/Medium	134	180	180	**44**	**538**
	Large	34	45	45	**11**	**135**
Agricultural	Small/Medium	23	31	31	**8**	**93**
	Large	6	8	8	**2**	**24**
Totals		**569**	**769**	**769**	**197**	**2,304**

Table 4.3: "BEES" Program Expected Performance Goals – DAC / HTR						
Customer Type / Size		2023	2024	2025	2026	Totals
Commercial	DAC	186	253	252	66	**757**
	HTR	74	101	101	26	**302**
Industrial	DAC	34	45	45	11	**135**
	HTR	7	9	9	2	**27**
Agricultural	DAC	15	20	20	5	**60**
	HTR	3	4	4	1	**12**

Table 4.4 below identifies the Program's KPIs and summarizes how SoCalGas and RHA will track each KPI to assess the Program's ongoing performance. The KPIs will: 1) determine the success of the program and whether corrective actions are required; 2) determine whether SoCalGas should add or remove funding from the program; and 3) determine program renewals toward the end of the contract term. [redacted]

Table 1: "BEES" Program – KPIs			
Metric	**KPI**	**KPI Definition**	**Frequency**
Program Performance	Site Assessments Completed	Percent of site assessments completed within 30 days of customer interest	Quarterly
	Tailored Reports Generated	Percent of Small/Med Commercial customers receiving tailored reports within 3 business days	Monthly
		Percent of Large Commercial, Ind & Ag customers receiving tailored reports within 7 business days	Monthly
	Customer Participation	Percent of qualifying customers receiving a referral to all affiliated EE programs	Monthly
	DAC Market Sector Participation	Percent of annual DAC participation goal met (Annual goal divided by frequency multiplier)	Quarterly
	HTR Market Sector Participation	Percent of annual HTR participation goal met (Annual goal divided by frequency multiplier)	Quarterly
	Market Sector Participation	Percent of annual audit goal met (Annual goal divided by frequency multiplier)	Monthly
		Diversity percentages thresholds per market sector for Commercial and Industrial	Quarterly
		Diversity percentages thresholds for subsectors in the Agricultural Market Sector	Quarterly
	Program Relationships	RHA to establish partner relationships with one external municipality/utility per year	Annually
Service Delivery	Program Admin & Implementation	RHA's reporting/data quality, timeliness, invoicing issues, meeting expectations	Monthly

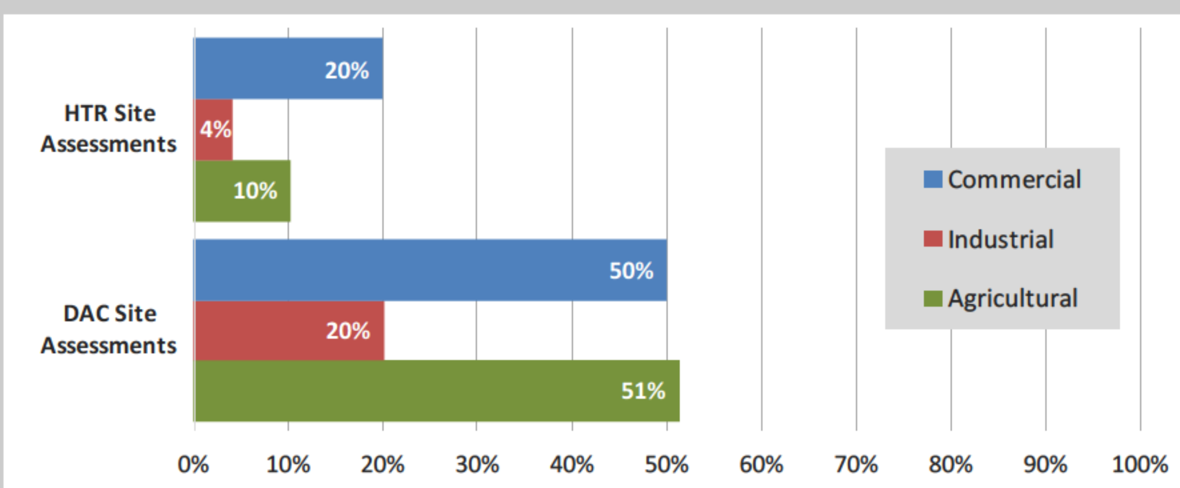
e. Integrated Demand-Side Management (IDSM)

Not applicable – RHA's "BEES" Program is a non-resource program, so it does not involve EE measures. However, the "BEES" Program will refer customers to IDSM programs, as applicable.

f. Disadvantaged Communities and Hard-to-Reach Customers

Figure 4.1 illustrates the proportions of all site assessments by segment that will be dedicated to HTR and DAC sites. For example, Figure 4.1 shows that 20% of all commercial site assessments (or 302 of 1,514 commercial sites) over the three-year Program will be at designated HTR sites.

Figure 4.1: HTR & DAC Site Assessments as Proportions of Total Assessments



As discussed in Section 3.3, after reviewing the draft final contract, Energy Division staff expressed concern that the "BEES" Program was not prioritizing industrial HTR/DAC customers in the same way as commercial or agricultural HTR/DAC customers. SoCalGas maintained, and Energy Division staff later agreed, that its interpretation of the definition of HTR in D.18-05-041 meant that the comparatively lower HTR/DAC industrial assessment goals in Figure 4.1 were appropriate.

g. Disadvantaged Worker Policy

RHA has agreed to comply with the Disadvantaged Worker requirements set forth in the Final Implementation Plan. RHA shall report any Disadvantaged Worker information to SoCalGas monthly.

h. Workforce Standards Policy

Not applicable – RHA's "BEES" Program does not involve the installation, modification, or maintenance in non-residential settings of Heating, Ventilation, and Air Conditioning (HVAC) equipment or Lighting Controls.

i. M&V Plan

Not applicable – RHA's "BEES" Program is a non-resource program, so no energy savings impacts are attributed to the Program.

[redacted]

k. Innovation

RHA will incorporate the following program innovations to support the "BEES" Program:

- **Streamlined Customer Journey:** Contractor will streamline the customer journey, facilitating a one-stop appointment process whenever possible. The one-stop appointment will include conducting the assessment, generating the report, and reviewing the information with the customer. Contractor will also share the information with other Company EE programs for which the customer may be eligible.
- **Tailored Assessment Reports:** Contractor will auto-generate reports immediately following the energy assessment, specifically tailoring all information to the customer's needs, priorities, and market sector. This innovation will simplify customer participation in referral programs.
- **Follow-Up With Customers Will Support Implementation of Recommendations:** Contractor will conduct two follow-up calls with customers one week and two weeks after the assessment appointment to support customer follow through with referrals. Contractor will inquire about overall program experience to solicit feedback designed to improve customer experience and drive participation.
- **Coordination With Company Programs Will Support Continuous Improvement and Achievement of Goals:** Contractor will meet with and seek feedback from Company programs. During regular calls, Contractor will ask whether the program followed up with customers, has seen an impact due to leads and whether they have any feedback on the customers being referred. This feedback loop will allow the Contractor to improve approach continuously to ensure achievement of program goals.
- **Hosted Webinars Will Raise Program Awareness:** Contractor will host regular webinars for each customer sector served (commercial, industrial, and agricultural) to raise awareness of the "BEES" Program. Contractor will coordinate with other EE programs so they can also present their program offerings to eligible customers.

5. Overall Assessment of Solicitation

SoCalGas successfully procured a Non-Res EE Advisor program to increase non-residential customer participation in SoCalGas EE programs by educating customers on energy management technologies, EE products, programs, resources, and services.

SoCalGas conducted the solicitation as a one-stage solicitation because it sought to execute the contract before the end of 2022 and have a completed Implementation Plan (IP) by February 2023. SoCalGas met both goals.

The Non-Res EE Advisor solicitation was one of four one-stage solicitations SoCalGas had planned to accomplish within a short time frame in 2022. All the one-stage solicitations were for non-resource programs, so SoCalGas had to modify the RFP questions and the scoring criteria to reflect the lack of cost-effectiveness metrics. As a result, the number of RFP questions overall was reduced, and bidders were asked to propose their own metrics for determining the effectiveness of their programs.

SoCalGas' received nine proposals in response to the RFP—a strong number when compared to other non-resource solicitations during the same time frame. Even disqualifying bids from two bidders for proposing "ineligible" programs left SoCalGas with seven proposals to consider.

There were a few strong proposals, but the proposal by RHA was unquestionably the best of the seven. Negotiations between SoCalGas and RHA moved quickly and smoothly, with the two parties needing to meet only six times to produce a draft contract. The IE feels that this was due to several reasons, including the fact that RHA had recently completed negotiations with SoCalGas for another program, so they were familiar with SoCalGas' negotiation style.

The IE is satisfied with the process taken by SoCalGas to choose RHA as program implementer and negotiate a contract for RHA's "BEES" Program and feels that the Program, in addition to being consistent with the goals stated in SoCalGas's Business Plan, provides the best overall value to ratepayers.

6. Implementation Plan Assessment

RHA's Draft IP was nearly as complete as could be expected, given that RHA developed the IP for a non-resource program. Some sections in the IP template on which RHA based their Draft IP were not applicable to non-resource programs and some that should have been applicable were not present.[42] However, RHA's Draft IP was missing some required sections:

- The IP Program Overview section, which should have included the Program Budget and Savings and Implementation Narrative sections, was missing some sections.
- The Program Timeline needed additional detail, especially specifics on program phases, deliverables due in each phase, and expected dates for phase completions and deliverables.
- RHA referred the reader to an attachment about the program's KPIs. The IE recommended that RHA include the KPI information within the IP, rather than a separate document.
- Also missing from the Draft IP was the Program Manual that should have consisted of details such as:
    - Customer and contractor eligibility requirements.
    - Descriptions of services to be offered by RHA, such as program delivery and marketing and outreach.

Some of the sections RHA left out of the Draft IP would not have been applicable to a non-resource program. However, several of the sections RHA left out should have been included in the Draft IP. The IE supplied these and several other comments and recommendations to RHA and SoCalGas, along with the IP Checklist to SoCalGas.

The IE did not receive a revised Draft IP before RHA and SoCalGas presented the Draft IP at a Stakeholder IP Webinar on February 17, 2023. RHA introduced its "BEES" Program in a 25-minute presentation. One representative from the Energy Division asked several questions requesting clarification of RHA's plans for program marketing and outreach (the subject of one of the previously mentioned sections missing from the Draft IP).

SoCalGas uploaded the Final IP to CEDARS on February 27, 2023. RHA's Final IP for the "BEES" program more closely followed the IP Template, making it more comparable to other Final IPs. In the Final IP, RHA also addressed several of the IE's comments and recommendations by

[42] The IP Checklist used by the IE for this solicitation was not designed for the review of non-resource IPs. Since then, the PRG Guidelines have been revised, which will result in an IP document template and checklist more appropriate for non-resource IPs.

including the following sections missing from the Draft IP:

- The inclusion of the IP Program Overview,
- Additional detail on the program timeline and program goals,
- The inclusion of program KPIs within the document, and
- Applicable sections of the Program Manual.

The IE believes that in future solicitations the IE should have an opportunity to review a revised Draft IP prior to its presentation at the Stakeholder IP Webinar. With this, the IE can better ensure that the Draft IP presented by the implementer addresses the IE's concerns and provides Stakeholders with sufficient program information to understand and appraise the program.

On March 24, 2023, SoCalGas uploaded a revised Final IP that omitted several reviewer comments inadvertently left in the Final IP uploaded on February 27.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the

HERS RATER TRAINING PROGRAM SOLICITATION

Reporting Period: October 2022 through April 2023

Prepared by:
MCR Corporate Services

MCR Performance Solutions, LLC

Disclaimer: This Report includes sensitive and confidential information.

HERS Rater Training Program Solicitation

1. Solicitation Overview

1.1. Overview

This solicitation is for qualified training providers with the resources to offer a comprehensive Home Energy Rating System (HERS) Rater Training Program. Certified HERS Raters (Raters) are persons trained and certified by an accredited provider to inspect and evaluate a home's energy features, prepare a home energy rating, and make recommendations to homeowners for improvements for how to reduce energy use. Raters often work with local building departments to verify contractor work and provide official documentation to city inspectors.

a. Scope

Per D.18-01-004, CPUC typically requires the IOUs to conduct a two-stage solicitation approach for soliciting third-party program design and implementation services as part of the EE portfolio. The two-stage approach begins with an RFA stage, followed by a full RFP stage. D.18-01-004 also allows for one-stage solicitations if there is a specific schedule-related reason only one stage is possible. In this case, SoCalGas requested a one-stage solicitation because it sought to begin the HERS Rater Training Program with Implementation Plan development in the last quarter of 2022. SoCalGas' request was granted by the CPUC. Therefore, the HERS Rater Training Program solicitation will consist of only the RFP stage.

The successful bidder will implement the HERS Rater Training Program throughout the SoCalGas service territory. Training sessions will start in 2023 and continue through 2025. The total program budget is $450,000 per year over three years, for a total program budget of $1,350,000. Bidders may divide the budget between program years in a manner consistent with their program design. SoCalGas may award the entire solicitation budget to one Bidder or may contract with multiple Bidders.

b. Objectives

SoCalGas is particularly interested in outreach to prospective candidates who reside or perform work in designated DACs. The successful bidder should incorporate references to EE programs that generate leads on customers who might benefit from the services of a Rater.

The HERS Program is intended to benefit the SoCalGas EE portfolio by:

- Increasing the subject matter knowledge of Raters.
- Training Raters in new technology and design approaches so they can properly and consistently model and verify energy impacts.
- Ensuring that Raters are aware of applicable utility and state incentive programs for builders and contractors who exceed minimum code requirements.
- Presenting courses and topics that encompass the various areas of building science and construction that affect building EE.
- Supporting and supplementing SoCalGas' efforts in Workforce Education and Training (WET) to increase the capability of qualified workers and provide a workforce pathway for disadvantaged workers.

1.2. Timing

Key milestones associated with the HERS Rater Training Program solicitation are shown in Table 1.1.

Table 1.1: Key Milestones		
Milestones	**Completion Date**	**Weeks to Complete**
RFP Stage		
Solicitation Launch	May 13, 2022	16 weeks
Bidders Conference	May 18, 2022	
Offer Submittal Deadline	June 10, 2022	
RFP Shortlist to PRG	July 5, 2022	
Shortlisting Notification	August 31, 2022	
Selections & Contracting Stage		
Contracting and Negotiations Period	October 10–December 29, 2022	12 weeks
Contracts Presented to PRG	December 15, 2022	
Contract Execution	December 30, 2022	

1.3. Key Observations

Table 1.2 lists the key IE issues, observations, and recommendations from the IE's review of the HERS Rater Training Program during this reporting period. The IE's overall recommendation to SoCalGas has been to avoid attempting to conduct several very closely related solicitations simultaneously when there is a short timeline.

Table 1.2: Key Issues and Observations			
Topic	**Observations**	**IE Recommendations**	**Outcome (IOU Action/Response)**
RFP Stage			
[redacted]			
Changing Timelines	As a result of relying on unrealistic timelines and expectations, SoCalGas made several last-minute changes to its schedule for presenting the draft contract to the PRG. This impacted both the IE and PRG reviews of the contract, and the PRG did not receive the contract when they expected it.	IOUs should follow the PRG Guidance on review times and plan schedules accordingly.	New Recommendation (as of December 2022)

Table 1.2: Key Issues and Observations			
Topic	Observations	IE Recommendations	Outcome (IOU Action/Response)
	Four days before the planned conclusion of negotiations, the bidder had provided neither Scope of Work (Schedule B) nor Compensation (Schedule C) to SoCalGas. That left little time to resolve any issues with those documents. Resolution of several issues – such as whether any training will be in-person or online–depends on having a completed Scope of Work.	The IEs and PRG had previously recommended that more complex and potentially problematic issues be addressed as early as the negotiation process. MCR believes the IOU should establish a schedule (topics per week) and set some deadlines for returning materials. In addition, the negotiation should address more challenging issues upfront.	The IEs and PRG had previously recommended this change, but SoCalGas did not adopt this recommendation during these negotiations.
Inserting the IE Into the Negotiations Process	SoCalGas sent the IE's comments on the contract package to the bidder and identified them as the IE's comments. This IE is concerned that this practice unnecessarily takes the IE out of its independent monitoring role and puts it in the middle of the IOU's negotiation with its bidder.	The IOUs should consider comments and recommendations from the IEs and PRG and develop their position on sharing them with the bidder as part of their negotiation. It would be helpful for the PRG to clarify this issue and consider including guidance in the next round of the PRG Guidance Document.	New Recommendation (as of December 2022)
Prioritization of Contracting Goals	The PRG, the IE, and the Energy Division clearly communicated their stances on several issues to SoCalGas throughout the solicitation and contract negotiation processes. SoCalGas repeatedly agreed with this input verbally but was not able to reflect that guidance meaningfully in the contract.	SoCalGas needs to understand that it is far more important to negotiate a solid contract with a good chance of accomplishing the solicitation's goals at a lower risk to ratepayers than it is to meet a deadline.	New Recommendation (as of December 2022)

2. RFP Stage – Bidder Response and Selection

Section 2 activities are included in the April 2022 through September 2022 Semi-Annual Report.

3. Contracting Process

3.1. Contract Negotiations

SoCalGas kicked off contract negotiations with CHEERS for the "HERS Training by CHEERS" Program on October 3. SoCalGas presented an overview of the negotiations process, including objectives and outcomes. CHEERS introduced its project team and a summary of its proposed program, including goals, budget, and timeline. Both parties agreed upon weekly meetings to keep the negotiations moving forward.

At the second negotiation session, SoCalGas raised its desire for CHEERS to include in-person training as part of the program. SoCalGas considers virtual training alone to be less effective, whereas in-person training allows for better interaction and for hands-on learning. Both parties agreed that they would need to determine what percentage of trainees would be trained in-person. SoCalGas suggested 2–5%, which the IE felt was too low. The PRG had previously expressed that even 10% was not sufficient. This discussion teed up the issue of whether all attendees should have some percentage of training in-person. The IE recommended that the in-person element be built into the training based on the curriculum that would best benefit from hands-on field training. The PRG expressed support for this option. This issue was not resolved until the end of December.

During the fifth negotiation session in late October, SoCalGas and CHEERS had a very brief discussion focused on SoCalGas' concern over the amount of redlining CHEERS included in SoCalGas General Terms & Conditions (Schedule A). SoCalGas questioned whether all of CHEERS' redlines were crucial and expressed concern about being able to stick to their schedule given the extent of CHEERS' redlines. In response, CHEERS said it would review its redlines and remove those considered nonessential. For those it deemed essential, CHEERS would provide justification. At the following session, the two parties made significant progress in settling the revised redlines in SoCalGas General Terms and Conditions (Schedule A).

One section of Schedule A that was vitally important to CHEERS was Section 8 covering Intellectual Property. CHEERS wanted to ensure that SoCalGas recognized that CHEERS had "developed extensive proprietary materials and intellectual property rights that predated" its impending contract with SoCalGas. As such, CHEERS anticipated "relying on and using such preexisting proprietary materials and intellectual property rights for preparation of deliverables under its contract with SoCalGas." Therefore, since SoCalGas would be "leveraging [CHEERS'] info as resource and claims no rights" to the materials, CHEERS wanted to ensure that content remained the property of CHEERS. The two parties eventually agreed on wording that would allow SoCalGas access only to relevant content that the CPUC may need for regulatory compliance and verifying course content.

By early December, SoCalGas' planned date for the conclusion of negotiations had long passed and CHEERS still had not provided SoCalGas with Scope of Work (Schedule B) or Compensation (Schedule C). The lack of these two documents was holding up completion of negotiations since it still needed to be determined what percentage of the training CHEERS intended to conduct in-person. CHEERS finally delivered Schedule C to SoCalGas on December 6 and Schedule B on December 14. In its haste to complete negotiations, SoCalGas sent some of the IE's comments on the draft contract package directly to CHEERS and identified them as the IE's comments. The IE expressed its concern to SoCalGas and the PRG that this practice unnecessarily takes the IE out of its independent monitoring role and puts it in the middle of the IOU's negotiation with their bidder.

The last few weeks of negotiation were frustrating, from the IE's perspective, because there was no visibility into the Final Scope of Work, KPIs, or Compensation components until the last week of negotiation. Once those documents revealed that the IE/PRG guidance had not been adopted, SoCalGas and CHEERS had to scramble to address those concerns. At the end of the day, however, the Bidder responded with revised language to address the PRG's requested changes.

SoCalGas uploaded the draft contract package to the PRG for an off-cycle review on December 15. SoCalGas and CHEERS resumed negotiations on December 21 in response to PRG comments (see Section 3.3). The two parties agreed on all terms and executed the contract on December 30.

a. Collaboration on Final Program Design and Scope

As noted above, the negotiations between SoCalGas and CHEERS had some challenges, from the IE's perspective. While the parties seemed to be on the same page in the weekly negotiation meetings, the final week of negotiation revealed that they were not. One obstacle was that the CHEERS team made it clear several times during weekly sessions that they felt their proposal was essentially a final document and negotiation was more around SoCalGas terms and conditions. They expressed surprise that they were being asked to consider modifications to their proposed program design and scope.

Another significant obstacle was that SoCalGas took a very passive position when it came to document turn-around. They basically accepted whatever document CHEERS decided to give them and that became the topic of discussion at the weekly meeting. [redacted] The final weeks of December sent both parties back to the drawing board on these critical issues to address concerns raised by the IE and PRG.

b. Fairness of Negotiations

The IE observed nothing during the negotiation process to indicate that the negotiations were anything other than fair and transparent. All positions were put on the table but were not communicated in a way that resulted in the expected actions. Parties had to go back and forth several times to adapt the Scope of Work and KPIs, in particular, to reflect expectations. Both parties worked cooperatively, diligently, and quickly to settle the differences that appeared in the final days of contract negotiation.

c. Changes to Contract Terms & Conditions

CHEERS requested no modifications to Part A of the Standard and Modifiable Terms and Conditions (Schedule A1). There were some changes to Part B of Schedule A1:

- **Workforce Standards for HVAC and Lighting Controls Programs (Sections A.1.a and A.1.b).** Added "If Applicable" since scope of work does not involve such measures.
- **Payment Terms Table (Section E.1).** Removed as not applicable.
- **Contractor's Pre-Existing Materials (Section H.2.c).** Modified to allow SoCalGas the use of CHEERS' proprietary training materials only during the duration of the contract.

CHEERS and SoCalGas made several changes to SoCalGas' General Terms and Conditions (Schedule A):

- **Intellectual Property (Section 8).** Modified to ensure that SoCalGas recognizes that CHEERS has "developed extensive proprietary materials and intellectual property rights that predate" its contract with SoCalGas.
- **Indemnity (Section 9).** Modified to include language that indemnified CHEERS from any

wrongdoing when it has done nothing wrong and added a mutual indemnity because CHEERS will be providing SoCalGas with confidential information, intellectual property, and non-public personal information.

- **Pollution Liability (Section 11.9.4).** Removed as not applicable since scope of work does not include services that could potentially result in sudden, accidental, and/or gradual pollution conditions.
- **Cyber Risk Liability Insurance (Section 11.9.7).** Removed as not applicable since scope of work does not include the need to access SoCalGas' servers.
- **Aviation Liability (Section 11.9.8).** Removed as not applicable since scope of work does not include the use of aircraft.
- **Force Majeure (Section 32).** Inserted language absolving both parties of liability for delay or failure to perform.

d. Conformance with CPUC Policies and Objectives

Table 2.1 summarizes the alignment of the "HERS Training by CHEERS" Program with CPUC Policies and Objectives.

Table 2.1: "HERS Training by CHEERS" – Alignment with CPUC Policies and Objectives			
Element / Requirement	**Yes**	**No**	**IE Comments**
The contract includes all CPUC standard and modifiable contract terms	✔		Included modifications that make the terms and conditions more specific to the "HERS Training by CHEERS" Program.
No modifiable contract terms and conditions (or Term Sheet) proposed by SoCalGas conflicted or otherwise undermined the meaning or intent of the CPUC terms and conditions for TPI energy efficiency programs.	✔		Modifications serve to make the terms and conditions more specific to the "HERS Training by CHEERS" Program.
As required, SoCalGas included standard contract language requiring CHEERS to coordinate with other program administrators in the same geographic area.	✔		Included in Part B, Section G of the Standard Contract Terms and Conditions (Schedule A).
As required, SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/P Guidelines, in the development of the contract.	✔		SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/P Guidelines, in the development of the contract.
Does the contract include an assignability clause (stating that winning bidders will contract with the IOU or its successors and assignees) to ensure that programs can continue to operate smoothly in the event of a restructuring or bankruptcy?	✔		Included in Section 26 of Schedule A.
Does the contract comply with state law and the Contractors State License Board requirements that CHEERS and its subcontractors hold valid contractor's licenses applicable to their program for contract execution and advice letter approval?	✔		Included in Section 12.3 of Schedule A.

Table 2.1: "HERS Training by CHEERS" – Alignment with CPUC Policies and Objectives			
Element / Requirement	**Yes**	**No**	**IE Comments**
Does the contract address: Key Performance Indicators, other performance metrics (e.g., innovation, etc.), payment terms, program-level M&V requirements (including the use of NMEC), and include a disadvantaged worker plan?	✓		Included in Section B.2 of Schedule A1, Part B; Section 4.1.14 of Schedule B; Section 2.3 of Attachment 1; and Section 1.1 of Attachment 8.
During contract negotiations, did SoCalGas stay true to its established process?	✓		Overall, SoCalGas stayed true to its established process.
Was the final contract based on the proposed program?	✓		Other than the following major changes to the Program during negotiations, final contract was based on the proposed program: • Increased Custom Project Pricing from 11% to 20%. • Made 10% of training to be hands-on required, rather than optional. • Added *Percent of Trainees that Complete Training* as a KPI – albeit not connected to compensation.
Does the final compensation structure match the proposed structure?	✓		[redacted]
Do the final budget and savings goals match those of the proposed program?	✓		CHEERS' proposed and contracted budgets and number of enrollees match.
Were negotiations transparent? (For example, SoCalGas set clear expectations with the bidder, all negotiations were monitored by the IE, and no conflict-of-interest issues were raised.)	✓		Expectations were discussed at the Negotiations Kick-Off Meeting and all subsequent communications were proper and conducted with the IE monitoring.

e. *Uniformity of Contract Changes*

Not applicable – SoCalGas negotiated only one contract with one bidder.

3.2. Contract Execution

The contract between SoCalGas and CHEERS for the "HERS Training by CHEERS" Program was fully executed by both parties on December 30, 2022.

3.3. PRG and IE Feedback to Contracting

In early November, the IE, and Energy Division (ED) staff requested a meeting with SoCalGas to discuss options for in-person training for this program. The IE expressed the following positions:

- If there are in-person training opportunities, they should be available to all participants.
- In-person training should not be arbitrary (a "check the box" exercise to satisfy a requirement).
- Topics for potential in-person training may be subjects where participants need to show proficiency and an introduction to set the tone for the additional sessions.
- Scope of Work needs to be submitted so the curriculum is known. From the curriculum,

SoCalGas can determine what sections/materials are better suited for in-person training.

[redacted] It seemed somewhat unlikely at this juncture that all issues would be resolved prior to the December 9th target for finishing negotiations—a date critical for SoCalGas to be able to complete this solicitation prior to the end of 2022.

SoCalGas, the IE, and ED staff met again on December 13 to discuss three primary issues related to ratepayer value of this contract:

- In-person, hands-on training needed to be at least 10% of total program, consistent with earlier discussions.
- KPIs need to tie to course completion, not enrollment. If this is not the case, then CPUC may oppose the program.

[redacted]

SoCalGas provided the draft final contract to the PRG for review on December 15. After its review, ED provided several specific comments on the draft contract:

- Section 3.2 of the draft contract stated that "An additional option for in the field internship or hands on training experience, to be mutually agreed upon by Contractor and Company at the request of the Company, may also be implemented." ED stated that this was unacceptable language and basically guaranteed that there would be no in-person portion of the program.
    - ED recommended that the language clearly specify that in-person training be 10% of total course hours and be required for course completion. ED further recommended that the contract use language to this effect proposed by the IE.
- Not seeing any curriculum or a clear set of goals that the curriculum would achieve creates more risk to ratepayers of a poor-quality product being delivered.
    - Therefore, CHEERS' curriculum should ideally be reviewed by SoCalGas and the IE before the contract is signed.
- Enrollment is not a sufficient goal.
    - Course completion must be included in the goals and tied to compensation.

Overall, ED felt that this contract would represent a significant risk to ratepayers on many levels:

[redacted]

[redacted]

In short, ED felt that there was an extremely high risk to ratepayers that this solicitation would deliver a program at full cost to ratepayers that will not meet even SoCalGas' most basic goals. ED did not support this program in its current state and strongly encouraged SoCalGas to return to the negotiating table with CHEERS.

SoCalGas also received a follow-up comment from another PRG member echoing the concerns expressed by the ED and stating that they did not feel that this was a meaningful program.

SoCalGas presented the PRG's and IE's comments to CHEERS and came away with concessions from both parties that helped considerably in moving negotiations towards their finish:

- CHEERS provided a general course overview for HERS rater certification. While informative, the information it contained about the training was not as detailed as desired.
- CHEERS agreed to 10% of all training to be in-person, hands-on.

[redacted]

The PRG, the IE, and ED had clearly communicated their stances on these issues to SoCalGas throughout the solicitation and contract negotiation processes. SoCalGas repeatedly agreed with this input verbally but was not able to reflect that guidance meaningfully in the contract. It is unclear what has happened here or who stands to benefit from this program other than CHEERS.

4. Assessment of Final Contract

CHEERS' final contract is generally the same as its original proposal, with certain improvements made in response to the comments and recommendations provided by the PRG and IE. However, some of the PRG and IE comments and recommendations were not reflected in the final contract, as discussed above. This section summarizes the characteristics of the final contract of the "HERS Training by CHEERS" Program.

4.1. Bid Selection Response to Portfolio Needs

SoCalGas' HERS Rater Training Program solicitation is intended to benefit the SoCalGas EE portfolio by:

- Increasing the subject matter knowledge of Raters.
- Training Raters in new technology and design approaches so they can properly and consistently model and verify energy impacts.

- Ensuring Raters are aware of applicable utility and state incentive programs for builders and contractors who exceed minimum code requirements.
- Presenting courses and topics that encompass the various areas of building science and construction that affect building EE.
- Supporting and supplementing SoCalGas' efforts in WET to increase the capability of qualified workers and provide a workforce pathway for disadvantaged workers.

If the "HERS Training by CHEERS" Program produces trained Raters, then most, if not all, of SoCalGas' portfolio needs will be met.

4.2. Bid Selection Provides Best Overall Value to Ratepayers

The best overall value to ratepayers will come from a program that produces trained HERS Raters [redacted]

[redacted]

CHEERS will deploy the "HERS Training by CHEERS" Program throughout the SoCalGas service territory, focusing on EE practices and approaches in its marketing collateral, education, and training curriculum. The program will be designed to achieve SoCalGas' primary and secondary objectives to 1) offer training to workers to increase knowledge, skills, and abilities appropriate for supporting and maximizing energy savings; and 2) drive greater opportunities to achieve incremental EE savings.

c. Budget and Cost Efficiency

The total overall program budget of $1,350,000 over three years for the "HERS Training by CHEERS" Program is equal to the solicitation's three-year target budget of $1,350,000. Table 4.1 breaks down the "HERS Training by CHEERS" Program budget by category by year.

Table 4.1: "HERS Training by CHEERS" Program Budget Breakdown by Category

Costs	2023	2024	2025	Totals	Percent of Total Budget
Administration	$90,000	$18,000	$18,000	**$126,000**	9%
Marketing/Outreach	$45,000	$45,000	$45,000	**$135,000**	10%
Direct Implementation	$315,000	$387,000	$387,000	**$1,089,000**	81%
Incentive/Rebate	$0	$0	$0	**$0**	0%
Totals	**$450,000**	**$450,000**	**$450,000**	**$1,350,000**	**100%**

d. Expected Program Performance

The "HERS Training by CHEERS" Program is a non-resource program, so its goals are as follows:

- Deliver enrollment of 5,000 participants in SoCalGas' service territory.
- Market to, and recruit, program participants using a variety of channels.
- Develop collateral for in-language outreach to training prospects.
- Develop materials to target current Raters and others who would benefit from participation in the program.
- Develop and present a comprehensive Marketing Plan for approval by SoCalGas.
- Develop a detailed course plan and schedule for the funding cycle.
- Make course materials available and accessible through multiple channels, including on-demand to participants, if possible.

The final contract includes no goals for DAC/HTR, DBE spend, or disadvantaged workers, other than a goal that 10% of "enrollees, trainees and job placements be disadvantaged, low-income, LGBTQ, or otherwise diverse and underserved persons, also reported as a percentage of total enrollees."

It is important to note the definitions used in the contract that apply to the Program's metrics:

- **Enrollee** – A person in SoCalGas territory that enrolls in the training program and is expected to attend the live virtual classroom and/or self-directed on-demand trainings.
- **Trainee** – A person in SoCalGas territory that has enrolled and participated in a live virtual classroom and/or self-directed on-demand training.
- **Trainee Who Completes Training** – A trainee who has (1) completed the training curriculum segment appropriate for their specific purpose (i.e., certification vs. professional development) and (2) passed the course segment test with 80% or higher.

Table 4.2 identifies the KPIs for the "HERS Training by CHEERS" Program and summarizes how SoCalGas and CHEERS will track each KPI to assess the Program's ongoing performance. The KPIs will: (1) determine the success of the program and whether corrective actions are required; (2) determine whether SoCalGas should add or remove funding from the program; and (3) determine program renewals toward the end of the contract term. [redacted]

Table 4.2: "HERS Training by CHEERS" Program – KPIs				
Category	**KPI**	**KPI Definition**	**Frequency**	**Scoring**
Program Performance	Monthly Number of Trainees (Goal: 138 per month).	The total number of trainees	Monthly	0: Less than 60% 1: 60 to 69% 2: 70 to 79% 3: 80 to 89% 4: 90 to 100%

Table 4.2: "HERS Training by CHEERS" Program – KPIs				
Category	**KPI**	**KPI Definition**	**Frequency**	**Scoring**
	Annual Number of Trainees (Goal: 1,667 trained per year).	The total number of trainees	Annual	0: Less than 60% 1: 60 to 69% 2: 70 to 79% 3: 80 to 89% 4: 90 to 100%
	Lifetime of Program Number of Trainees (Goal: 5,000 lifetime).	The total number of trainees	Lifetime of Program	0: Less than 60% 1: 60 to 69% 2: 70 to 79% 3: 80 to 89% 4: 90 to 100%
	Percent of trainees who complete training (Goal: 10%[43]).	Percent of trainees	Monthly	0: Less than 1% 1: 1 to 9% 2: 10% 3: 11 to 20% 4: 21+%

The final contract specifies corrective actions that SoCalGas should take if certain triggers occur. For example, if either of the two monthly KPIs in Table 4.2 have scores of 1 or below for three consecutive months, CHEERS would have to provide documentation on activities that it will take to demonstrate its ability to meet the overall program goal. If SoCalGas determines that the corrective actions are not improving the situation, it could begin procedures to close the program.

SoCalGas and CHEERS included four additional non-KPI metrics for tracking and reporting purposes, as shown in Table 4.3.

Table 4.3 "HERS Training by CHEERS" Program – Additional Metrics		
Category	**Metric**	**Measure**
Program Delivery	Average quiz and test scores of enrolled students.	Goal: 80%
	Average time for completion of course material.	Goal: Varies depending on the course (2–30 hours)
	Percent of trainees pursuing HERS certification who receive job placement.	Goal: 10%
	Percent of enrollees, trainees and job placements that are disadvantaged, low-income, LGBTQ, or otherwise diverse and underserved persons, also reported as a percentage of total enrollees.	Minimum Goal: 10%

e. *Cost-Effectiveness*

Not applicable – The "HERS Training by CHEERS" Program is a non-resource program, so no cost-effectiveness analysis was conducted.

[43] In negotiation discussions, CHEERS did indicate 40% is average course completion rate. IE believes 10% is a low goal.

f. Integrated Demand-Side Management (IDSM)

Not applicable – The "HERS Training by CHEERS" Program is a non-resource program, so it does not involve EE measures.

g. Disadvantaged Communities and Hard-to-Reach Customers

As a part of its monthly report to SoCalGas, CHEERS will measure and report the number and percentage of participants in DACs and the number and percentage of participants defined as HTR. CHEERS specifically identified as prospective Program candidates those who reside and/or work in DACs.

h. Disadvantaged Worker Policy

One of the Program's additional metrics (Table 4.3) is the percent of trainees pursuing HERS certification who receive job placement. CHEERS shall track and provide this metric to SoCalGas monthly.

i. Workforce Standards Policy

Not applicable – The "HERS Training by CHEERS" Program does not involve installation, modification, or maintenance in non-residential settings of Heating, Ventilation, and Air Conditioning equipment or Lighting Controls.

j. M&V Plan

Not applicable – The "HERS Training by CHEERS" Program is a non-resource program, so no energy savings impacts are attributed to the Program.

[redacted]

[redacted]

I. Innovation

CHEERS describes the following key innovative aspects of the "HERS Training by CHEERS" Program:

- **Delivery and outreach approach:** As California's largest HERS provider, CHEERS' existing program is advanced in its training, delivery, and outreach approach. HERS Rater training is offered as a hybrid course wherein 90% of the required educational content is delivered in an online environment via a learning management system. Training candidates must achieve certain incremental thresholds at the end of each module and score at least 80% of the knowledge exam to pass the online portion. Once they have achieved this, they are ready for the remaining 10%, which is hands-on training in the field. For this in-person training portion, CHEERS staff meets training candidates in the field at a testing house of the candidate's choice to provide hands-on training of the inspection and verification techniques required of HERS Raters using HERS rating diagnostic equipment.
- **Live virtual classroom and self-directed on-demand online training:** CHEERS will offer both live virtual classroom and self-directed on-demand online training with live, hands-on training experience in the field.
- **Harnessing existing relationships in the California residential building industry:** CHEERS also already employs innovative approaches to outreach and promotion via digital marketing and social media, with the key advantage of harnessing CHEERS's existing relationships in the California residential building industry. In fact, CHEERS has an internal list of 60,000+ potential contacts within the industry as part our team's marketing strategy for this program, based on the builders, energy consultants and architects, HERS raters, contractors and installers, homeowners, and building department users who presently utilize the CHEERS platform for California energy code (Title 24) compliance. CHEERS currently engages with these user sets via search engine optimization (SEO), email marketing, mobile marketing, social media marketing, and pay-per-click and affiliate marketing.
- **Delivering proven training results:** Based on direct experience and demonstrated success by both CHEERS and ConSol in the delivery of live virtual classroom and self-directed on-demand training, the primary method of delivery for training shall be live virtual classroom and self-directed on-demand to efficiently deliver the optimal scheduling of training events that achieve the maximum number of trainings completed by enrolled participants. Online/virtual training allows the greatest flexibility, not only for CHEERS and ConSol to

deliver, but also for enrolled and registered persons to attend and participate. This is a direct application innovation to deliver proven training results for EE to the building industry.

5. Overall Assessment of Solicitation

SoCalGas successfully procured a HERS Rater Training program to train and accredit providers to inspect and evaluate a home's energy features, prepare home energy ratings, and make recommendations to homeowners for improvements for how to reduce energy use.

SoCalGas conducted the solicitation as a one-stage solicitation because it sought to execute the contract and have a completed Implementation Plan (IP) before the end of 2022. SoCalGas met its goal of contract execution by the end of 2022, but the IP will not be developed until early 2023.

The HERS Rater Training solicitation was one of four one-stage solicitations SoCalGas had planned to accomplish within a short time frame in 2022. All the one-stage solicitations were for non-resource programs, so SoCalGas had to modify the RFP questions and the scoring criteria to reflect the lack of cost-effectiveness metrics. As a result, the number of RFP questions overall was reduced, and bidders were asked to propose their own metrics for determining the effectiveness of their programs.

[redacted]

Although the highest scoring proposal received by SoCalGas, CHEERS' proposal was unexceptional. And, regrettably, the needed improvements to the proposed program that should have been included in the final contract were not pushed hard enough by SoCalGas. Consequently, whether the final contract represents the best overall value to ratepayers remains to be seen.

6. Implementation Plan Assessment

The IE's initial review of the Draft IP revealed that it was nearly as complete as could be expected, given that CHEERS developed the IP for a non-resource program, which was new ground for both the implementer and SoCalGas. However, it would require significant revision to produce a complete and suitable final IP. The IE's general comments on the Draft IP included:

- As expected, most of the text in the Draft IP was taken from the executed contract. However, some sections could and should have been expanded upon to provide a fuller picture of CHEERS' plans for implementing the program.
- It appeared that the text describing certain aspects of the program were in the wrong place within the IP. The IE noted within the document where the text would be better suited to other sections.
- Overall, the document was very rough and needed to be cleaned up.
    - There were many places where CHEERS included the instructions from the IP Template as text in the Draft IP, which cluttered the document.
    - The formatting needed to be tightened for consistency and to make it easier to read.

The IE supplied these and several other comments and recommendations to CHEERS and SoCalGas, along with the IP Checklist to SoCalGas.[44]

CHEERS provided the IE with a revised Draft IP that represented a significant improvement over the first Draft. The revised Draft IP was much more complete and included much of the additional detail suggested by the IE; it was also easier to read than the first Draft IP.

SoCalGas and CHEERS held the Stakeholder IP Webinar on February 17. There were ten attendees representing ED, SoCalGas, CHEERS, and the IE. The Webinar consisted of a 20-minute presentation on CHEERS' program and was followed by questions.

The ED representative asked several questions that emphasized the concerns ED had over the program's ability to provide ratepayer value. In one question, ED asked CHEERS, "What more can you tell us about CHEERS' efforts to get enrollees through program to completion to ensure that 20% of enrollees complete the course (as included in the Program's KPIs)?" CHEERS' response was that its determination of what efforts it would take depended on how well they marketed the program. When asked by ED what steps would be taken if CHEERS' program goals were not met, CHEERS responded that there were trigger points built into the program that would take effect if the goals were not met, but CHEERS was not specific about what those trigger points were or what actions it would take.

ED cautioned that it had concerns that the program may not provide ratepayer value if CHEERS' goal of 20% of the enrollees completing the program was not met and that it was necessary that the program show ratepayer value for it to continue beyond a certain point.

SoCalGas uploaded the Final IP, which differed little from the revised Draft, to CEDARS on February 28, 2023.

[44] The IP Checklist used by the IE for this solicitation was not designed for the review of non-resource IPs. Since then, the PRG Guidelines have been revised, which will result in an IP Checklist more appropriate for reviewing non-resource IPs.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the

RETAIL CHANNEL SUPPORT PROGRAM SOLICITATION

Reporting Period: October 2022 through April 2023

Prepared by:
MCR Corporate Services

MCR Performance Solutions, LLC

Disclaimer: This Report includes sensitive and confidential information.

Retail Channel Support Program Solicitation

1. Solicitation Overview

1.1. Overview

The purpose of this Solicitation is to invite bidders to propose, design, implement and deliver an updated market support program to develop, produce, and deliver collateral as well as in-store marketing activities to educate retail customers and retail store staff on SoCalGas' EE programs and rebates. The program is to be offered at retail outlets and their supply channels selling energy-efficient consumer equipment/appliances[45] for residential customers within SoCalGas service territory.

a. Scope

Per D.18-01-004, the CPUC typically requires the IOUs to conduct a two-stage solicitation approach for soliciting third-party program design and implementation services as part of the EE portfolio. The two-stage approach begins with a RFA stage, followed by a full RFP stage. D.18-01-004 also allows for one-stage solicitations if there is a specific schedule-related reason that only one stage is possible. In this case, SoCalGas requested a one-stage solicitation because it sought to begin the Retail Channel Support Program with Implementation Plan development in the first quarter of 2023. SoCalGas' request was granted by the CPUC. Therefore, the Retail Channel Support Program solicitation will consist of only the RFP stage.

The successful bidder will propose, design, implement and deliver a non-resource program to offer innovative marketing strategies and educational efforts to retail channel businesses selling energy-efficient natural gas appliances. Proposals should offer a program that strengthens retail outlet onsite displays, product descriptions, identifiable messaging for customer education across the SoCalGas service territory. The program's total gas-centric budget is up to $1,250,000 per year, for three (3) years, anticipated to begin Q1 2023.

b. Objectives

The successful bidder will partner with retail outlets and sale channels, such as home shows, fairs, and wholesalers, with the objective to:

- Increase
    - The in-store profile of rebate-qualifying energy-efficient appliances;
    - A customer's ability to easily identify energy-efficient consumer appliances;
    - Effective communication on availability of rebates for qualifying energy-efficient appliances; and
    - Customer awareness of EE program opportunities.
- Educate
    - Customers on how to use the SoCalGas mobile-friendly rebate applications;

[45] Appliances and equipment with SoCalGas rebate can be found at https://www.socalgas.com/save-money-and-energy/rebates-and-incentives/natural-gas-appliance-rebates

- Customers on SoCalGas' other EE programs and available online services; and
- Sales staff at retail locations on benefits of EE including cost savings and reduced emissions.

The successful bidder should propose:

- A comprehensive plan that includes marketing and outreach strategies;
- A roster of potential retailers, or a plan for building a roster of retail channel businesses throughout SoCalGas service territory to participate in the program;
- Innovative strategies for in-store or on-site communications;
- Collateral, point-of-sale displays and signage at retailer locations;
- Methods for educating sales associates on SoCalGas rebates and other EE programs; and
- An approach for motivating sales associates to promote rebate opportunities.

1.2. Timing

Key milestones associated with the Retail Channel Support Program solicitation are shown in Table 1.1.

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFP Stage		
Solicitation Launch	June 17, 2022	13 weeks
Bidders Conference	June 23, 2022	
Offer Submittal Deadline	July 29, 2022	
RFP Shortlist to PRG	September 6, 2022	
Shortlisting Notification	September 13, 2022	
Selections & Contracting Stage		
Contracting and Negotiations Period	October 6–December 21, 2022	11 weeks
Contracts Presented to PRG	December 15, 2022	
Contract Execution	December 22, 2022	

It should be noted in Table 1.1 that contract negotiations ended on December 21, after SoCalGas presented the draft contract to the PRG on December 15. This is the result of the PRG providing comments on the draft contract that necessitated additional negotiations between SoCalGas and the contractor.

1.3. Key Observations

Table 1.2 lists the key IE issues, observations, and recommendations from the IE's review of the Retail Channel Support Program during this reporting period. The IE's overall recommendation to SoCalGas has been to avoid attempting to conduct several very closely related solicitations simultaneously when there is a short timeline.

Table 1.2: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Contract Negotiations	SoCalGas instituted a good practice of distributing notes of each negotiation session soon afterward, which allowed both parties to remain in step.	The IE appreciated this extra step, especially during a very tight schedule.	No Response Required
Contract Package Review	SoCalGas changed its schedule in December 2022 and requested an expedited contract review from the IE and an off-cycle review from the PRG on short notice.	The IE (and PRG) advised SoCalGas to abide by the timelines established in the PRG Guidelines for IE and PRG review of documents.	New Recommendation.\
	SoCalGas sent the IE's comments on the contract package to ICF and identified them as the IE's comments. The IE was concerned that this practice unnecessarily took the IE out of its independent monitoring role and put it in the middle of the IOU's negotiation with their bidder.	The IOU should consider the IE and PRG comments when responding to their bidder.	New Recommendation

2. RFP Bidder Response and Selections

Section 2 activities are included in the April 2022 through September 2022 Semi-Annual Report.

3. Contracting Process

Just prior to this reporting period, the IE met with SoCalGas to begin preparations for its three upcoming negotiations resulting from its three one-stage solicitations:

- HERS Rater Training,
- Non-Res EE Advisor, and
- Retail Channel Support.

During this meeting, the IE and SoCalGas discussed approaches and strategies for handling three contract negotiations in quick succession and SoCalGas' tight contracting deadlines. Specific topics discussed included:

- Overlap of SoCalGas personnel on its three negotiating teams.
- Frequency and duration of negotiation meetings.
- Potential for delays due to overlapping negotiations.
- Duration of negotiations for each solicitation.
- IE availability and assignments.

On September 27, SoCalGas sent the Agreement Negotiation Package to ICF for its review. This package contained the full draft contract consisting of the Standard Services Agreement, many additional schedules and attachments, and the planned negotiations timeline. The two parties agreed to meet on October 6 to kick-off negotiations.

3.1 Contract Negotiations

SoCalGas' negotiations timeline with ICF was very aggressive because SoCalGas was attempting to execute the contract before the end of 2022 so it could include this solicitation in its 60% third-party program goal. SoCalGas planned to complete negotiations by November 11 to allow contract execution by December 31.

SoCalGas initiated contract negotiations with ICF with a Kick-Off Meeting on October 6. Prior to that meeting, on September 27, SoCalGas sent ICF the entire contract document package. SoCalGas had populated several of the contract documents with program information from ICF's proposal and marked up that program information with its own comments. SoCalGas instructed ICF to review contract documents, make redline edits, if needed, and return the package to SoCalGas by October 4, so that they could discuss the package at the Kick-Off Meeting.

At the Kick-Off Meeting, SoCalGas presented an overview of the negotiations process, including objectives and outcomes. ICF introduced its project team and presented a summary of its proposed program, including goals, budget, and timeline. Both parties agreed upon weekly meetings to keep the negotiations moving forward.

Many of the initial weekly meetings dealt with the list of nearly 900 retail stores [redacted] ICF started negotiations with a comprehensive list of retail stores. However, it took six weeks to fine-tune with SoCalGas' input before the list was final.

With the finalization of the store list, negotiations turned to ICF's redlines of the contract documents. ICF's redlines of the contract documents in response to SoCalGas' initial redlines were relatively minor. Hence, ICF and SoCalGas resolved nearly all ICF's proposed changes, other than compensation, within two negotiation sessions.

In November, SoCalGas informed ICF that it needed to reduce the program budget to $1 million per year, down from $1.25 million, due to portfolio budget constraints. In response, ICF provided SoCalGas with an updated budget. The budget reduction appears to have resulted in a reduction in the number of planned store visits, but the magnitude of the reduction is unknown, since ICF had not presented a visit count to that point.

[redacted]

Towards the end of contract negotiations, SoCalGas asked for a conversation with ICF about ICF's DBE goal of 0% in the contract. SoCalGas asked what ICF could do to increase its DBE subcontractor spend. ICF was amenable to increasing its DBE spend, but claimed it was limited in what areas it had opportunities for subcontracting. ICF admitted it may have an opportunity for DBEs in marketing and outreach but was not sure how big the opportunities might be and could not tell for sure until after program launch. At the conclusion of the discussion, ICF stated that it could set a goal of 10% DBE spend. ICF also suggested that ICF and SoCalGas meet twice yearly to check in and report on where ICF is on its goal. SoCalGas liked that suggestion and agreed to the twice annual DBE status meetings.

a. Collaboration on Final Program Design and Scope

There was little contentiousness about the negotiations between SoCalGas and ICF. As requested by SoCalGas, ICF returned its initial review of the contract documents on-time and with few redlines. This got the negotiations off to a good start. Clear and regular communications between the two parties also helped immensely. SoCalGas also instituted a good practice of distributing notes of each negotiation session soon afterwards, which allowed both parties to remain in step.

b. Fairness of Negotiations

The IE observed nothing during the negotiation process to indicate that the negotiations were anything other than fair and transparent. Both parties worked cooperatively and diligently to settle the few differences that appeared in true partnership fashion. The IE is satisfied that SoCalGas and ICF have negotiated a fair contract for the "Retail Channel Support Program" that benefits all parties, including ratepayers.

c. Changes to Contract Terms & Conditions

ICF requested no modifications to Schedule A1 – Standard and Modifiable Terms and Conditions. ICF did ask for minor revisions to language in Schedule A – SoCalGas General Terms and Conditions relating to indemnity, certificate of insurance requirements, and termination of the contract in the event of a change in regulation or law. SoCalGas accepted ICF's suggested revisions.

d. Conformance with CPUC Policies and Objectives

Table 3.1 summarizes the alignment of ICF's "Retail Channel Support Program" with CPUC Policies and Objectives.

Table 3.1: "Retail Channel Support Program" Alignment with CPUC Policies and Objectives			
Element / Requirement	**Yes**	**No**	**IE Comments**
The contract includes all CPUC standard and modifiable contract terms.	✓		Included all CPUC standard and modifiable contract terms with no modifications.
No modifiable contract terms and conditions (or Term Sheet) proposed by SoCalGas conflicted or otherwise undermined the meaning or intent of the CPUC terms and conditions for TPI EE programs.	✓		Included all CPUC standard and modifiable contract terms with no modifications.
As required, SoCalGas included standard contract language requiring ICF to coordinate with other program administrators in the same geographic area.	✓		Included Section G from Required Modifiable Terms and Conditions.
As required, SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/P Guidelines, in the development of the contract.	✓		SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/P Guidelines, in the development of the contract.
Does the contract include an assignability clause (stating that winning bidders will contract with the IOU or its successors and assignees) to ensure that programs can continue to operate smoothly in the event of a restructuring or bankruptcy?	✓		Included in Section 26 of Schedule A.

Table 3.1: "Retail Channel Support Program" Alignment with CPUC Policies and Objectives			
Element / Requirement	Yes	No	IE Comments
Does the contract comply with state law and the Contractors State License Board requirements that ICF and its subcontractors hold valid contractor's licenses applicable to their program for contract execution and advice letter approval?	✓		Included in Section 12.3 of Schedule A.
Does the contract address: Key Performance Indicators, other performance metrics (e.g., innovation, etc.), payment terms, program-level M&V requirements (including the use of NMEC), and include a disadvantaged worker plan?	✓		Included in Section B.2 of Schedule A1, Part B; Section 3.1.4 of Schedule B; Section 2.3 of Attachment 1; and Section 1.1 of Attachment 8.
During contract negotiations, did SoCalGas stay true to its established process?	✓		Overall, SoCalGas stayed true to its established process.
Was the final contract based on the proposed program?	✓		Other than the decrease in total program budget from $3.75 million to $3 million, the final contract was based on the proposed program.
Does the final compensation structure match the proposed structure?	✓		[redacted]
Do the final budget and savings goals match those of the proposed program?	✓		SoCalGas needed to reduce the program budget from $1.25 million per year to $1 million per year due to portfolio budget constraints. This is a non-resource program, so there are no savings goals.
Were negotiations transparent? (For example, SoCalGas set clear expectations with the bidder, all negotiations were monitored by the IE, and no conflict-of-interest issues were raised.)	✓		Expectations were discussed at the Negotiations Kick-Off Meeting and all subsequent communications were proper and conducted with the IE monitoring.

e. *Uniformity of Contract Changes*

Not applicable – SoCalGas negotiated only one contract with one bidder.

3.2 Contract Execution

The contract between SoCalGas and ICF for ICF's "Retail Channel Support Program" was fully executed by both parties on December 22, 2022.

3.3 PRG and IE Feedback to Contracting

The PRG's review of the draft final contract resulted in several comments. The PRG's first comment was that the draft contract neither noted that this program was a Market Support program, nor did it outline the requirements or definition of a Market Support program. In response, SoCalGas added the references and definitions to the contract.

The PRG's other comments concerned SoCalGas' management of contract negotiations:

- The PRG strongly advised SoCalGas to remain faithful to the timelines established in the PRG Guidelines for IE and PRG review of documents. The PRG made this comment in response to SoCalGas changing its schedule in December 2022 to necessitate an off-cycle PRG review of the contract with little advance notice.

- The PRG reminded SoCalGas that it is not the role of the IE to be at the middle of the negotiation process with the bidder. This was in response to the IE's off-cycle contract summary report in which the IE reported that SoCalGas sent the IE's comments on the contract package to ICF and identified them as the IE's comments. The IE was concerned that this practice unnecessarily took the IE out of its independent monitoring role and put the IE in the middle of the IOU's negotiation with their bidder.

4. Assessment of Final Contract

ICF's final contract varies little from its original proposal. This section summarizes the characteristics of ICF's final "Retail Channel Support Program" contract, which the IE believes will provide the best overall value for SoCalGas' ratepayers.

4.1. Bid Selection Response to Portfolio Needs

SoCalGas's selection of ICF's "Retail Channel Support Program" is consistent with its portfolio needs as identified in its Business Plan, its Solicitation Plan, and its ABAL filings. ICF's "Retail Channel Support Program" is designed to meet SoCalGas's intent of increasing customer awareness of EE program opportunities and educating sales staff at retail locations about the benefits of EE including cost savings and reduced emissions.

4.2. Bid Selection Provides Best Overall Value to Ratepayers

a. Introduction

SoCalGas selected ICF's "Retail Channel Support Program" for contracting after a short and intensive solicitation process. To make its decision, SoCalGas considered all aspects of each bidders' submittals. The one-stage process was new to SoCalGas and did not include the typical cost-effectiveness analysis due to it being a Market Support solicitation. That made it more important that SoCalGas consider more difficult to assess qualities, such as program innovation, outreach to DAC and HTR Customers, and whether the program addressed the State's policy initiatives. The IE is satisfied with the process taken by SoCalGas to select ICF's "Retail Channel Support Program" feels that the Program, in addition to being consistent with the goals stated in SoCalGas's Business Plan, provides the best overall value to ratepayers.

b. Program Description

ICF's "Retail Channel Support Program" will implement an effective marketing plan that will span the SoCalGas territory to reach retail associates, distributors, and customers to raise awareness of and help them understand SoCalGas's EE programs and rebates. This outreach, educational, and marketing program will target retailers and distributors within SoCalGas's service territory, with an emphasis on the most vulnerable and HTR customers.

The "Retail Channel Support Program" will engage targeted retailers and distributors within SoCalGas's territory to raise awareness and increase understanding of SoCalGas's EE programs and the rebates available for natural gas appliances. The "Retail Channel Support Program" will engage retailer and distributor sales associates and educate them on SoCalGas's program offerings, energy-efficient natural gas product features and benefits, rebate application process, and sales tips to help drive the sales of products promoted and incentivized by SoCalGas. The "Retail Channel Support Program" will develop point-of-purchase (POP) and other marketing materials and place in them in the store to help educate consumers on features and benefits of efficient appliances and available rebates.

The contract period begins January 1, 2023, and remains in effect through December 31, 2025, as may be extended in accordance with the terms of the agreement.

c. Budget and Cost Efficiency

The total overall program budget of $2,997,250 over three years for ICF's "Retail Channel Support Program" is within the solicitation's three-year target budget of $3 million.[46] Table 4.1 breaks down the budget for ICF's "Retail Channel Support Program" by category by year.

Table 4.1: "Retail Channel Support Program" Program Budget Breakdown by Category					
Costs	**2023**	**2024**	**2025**	**Totals**	**% of Total Budget**
Administration	$123,500	$18,000	$98,000	**$239,500**	8%
Marketing/Outreach	$492,350	$160,740	$145,440	**$798,530**	27%
Direct Implementation	$373,260	$854,804	$731,156	**$1,959,220**	65%
Incentive/Rebate	$0	$0	$0	**$0**	0%
Totals	**$989,110**	**$1,033,544**	**$974,596**	**$2,997,250**	**100%**

d. Expected Program Performance

ICF's "Retail Channel Support Program" is a non-resource program, so rather than energy savings, its goals are for the number of store visits, events attended, sale associates' interactions, and training sessions held. These goals are enumerated in Table 4.2.

Table 4.23: "Retail Channel Support Program" Program Expected Performance				
Program Goals	**2023**	**2024**	**2025**	**Totals**
Store Visits	3,905	8,987	7,623	**20,535**
Events (Trade Shows, Home Shows, etc.)	5	10	10	**25**
Interactions with Sales Associates	2,700	3,000	2,700	**8,400**
Training Sessions	50	75	50	**175**

ICF and SoCalGas worked cooperatively for almost the first two months of negotiations to develop the list of retail stores in which the "Retail Channel Support Program" would be active. The final list of stores included 857 stores with each store's address, types of appliances sold, and whether it was in a DAC or HTR community. Over the three-year program period, ICF plans to visit each store an average of 24 times. Table 4.3 details the number of stores to be visited.

Table 4.3: "Retail Channel Support Program" Outreach Goals		
Stores by Location	**Count**	**Percent**
Stores (All Communities)	857	100%
Stores in DACs	248	29%
Stores in HTR Communities	159	19%
Stores in Both DACs & HTR Communities	65	8%

[46] The program budget presented in the RFP was $1.25 million per year. This amount was reduced during contract negotiations to $1 million per year (see Section 3.1).

Table 4.4 identifies the Program's KPIs and summarizes how SoCalGas and ICF will track each KPI to assess the Program's ongoing performance. The KPIs will: 1) determine the success of the program and whether corrective actions are required; 2) determine whether SoCalGas should add or remove funding from the program; and 3) determine program renewals toward the end of the contract term. [redacted]

Table 4.4: "Retail Channel Support Program" Key Performance Indicators				
Key Performance Indicators	**Definition**	**Metric**	**Frequency**	**Weight**
Program Visits to Each Targeted Store	Number of monthly store visits completed divided by the planned number of store visits	Program Performance	Monthly	35%
Number of Interactions Each Month with Sales Associates	Average number of monthly interactions with store personnel	Program Performance	Monthly	25%
Number of Formal Training Sessions Held with Store Personnel	Total number of training sessions held throughout the year	Program Performance	Annually	15%
Quarterly Average Score of Store Personnel Satisfaction Surveys Administered by Contractor	Average satisfaction score as measured on a 5-point Likert scale	Customer Satisfaction	Quarterly	25%

Each quarter SoCalGas will calculate a "Program KPI" as the sum of the product of each KPI and its weight. If the Program KPI is 1.5 or below, it will trigger corrective actions by ICF to get the Program back on track. The contract specifies further actions to review, modify or close the program depending on the outcome of ICF's corrective actions.

e. *Cost-Effectiveness*

Not applicable – ICF's "Retail Channel Support Program" is a non-resource program, so no cost-effectiveness analysis was conducted.

f. *Integrated Demand-Side Management (IDSM)*

Not applicable – ICF's "Retail Channel Support Program" is a non-resource program, so it does not involve EE measures.

g. *Disadvantaged Communities and Hard-to-Reach Customers*

As discussed above in Section 4.2.d, ICF has identified stores located in DACs and those serving HTR customers. Table 4.3 specifies that 29% of the retail stores will be in DACs, 19% will be in areas serving HTR customers, and 8% will be in both DAC and HTR communities.

h. *Disadvantaged Worker Policy*

ICF has agreed to comply with the Disadvantaged Worker requirements set forth in the Final Implementation Plan. ICF shall report any Disadvantaged Worker information to SoCalGas monthly.

i. *Workforce Standards Policy*

Not applicable – ICF's "Retail Channel Support Program" does not involve the installation, modification, or maintenance in non-residential settings of Heating, Ventilation, and Air Conditioning (HVAC) equipment or Lighting Controls.

j. M&V Plan

Not applicable – ICF's "Retail Channel Support Program" is a non-resource program, so no energy savings impacts are attributed to the Program.

[redacted]

l. Innovation

ICF will incorporate the following program innovations to support the "Retail Channel Support Program's" delivery approach and marketing strategy:

- **Utilize Effective Die-Cut Designs:** Where possible, use corners and edges that are not always at right angles to draw interest.
- **Promote the Ease of Application:** In addition to product-specific POP, provide a multi-panel, combo tri-fold brochure/rebate form that covers all or most programs as an efficient way for customers to take a rebate home with them from retail (if they are more comfortable with paper as opposed to online rebates).
- **Choose Purposeful Colors:** Based on the primary brand and shelving colors of the retailers where the POP will be placed, opt for using base colors for the POP to stand out.
- **Employ Impactful Messaging:** Highlight cost savings and key customer benefits.
- **Leverage QR Code Technology:** Using URLs with mobile devices while in store can be cumbersome; QR codes make it faster for a customer to get to a website to learn more and access online resources to fill out and submit rebates.
- **Respect Cultural Diversity:** Engage with non-English-speaking customers by using QR codes on all mainstream POP and collateral to provide product information and rebate applications in alternate languages.
- **Provide In-Language Messaging:** Provide POP in Spanish and simplified Chinese for

specific store locations that serve non-English speaking consumers.

- **Utilize ENERGY STAR as a Sales Tool:** Incorporate the ENEGY STAR Certification Mark on products that are qualified, providing third-party endorsement for a recognizable and trusted brand.
- **Generate Leads:** Support event giveaways with QR codes to capture customer information.
- **Respect the Environment:** Print program materials on post-consumer paper stock or materials.
- **Include Brand Recognition:** Include SoCalGas logo, attributing the customer savings on eligible products and making it clear that SoCalGas is helping their customers save money.

5. Overall Assessment of Solicitation

SoCalGas successfully procured a retail channel support program open to its retail channel customers selling energy-efficient natural gas appliances. SoCalGas should be motivated to actively collaborate with ICF to help support and ensure the program's success, particularly since it will require frequent interaction between the two parties to design and produce marketing materials, coordinate home shows and other similar events, and track the evolving retail channel landscape.

SoCalGas conducted the solicitation as a one-stage solicitation because it sought to begin the Retail Channel Support Program with Implementation Plan development in the last quarter of 2022. Although SoCalGas did not meet this goal, it was still able to execute the contract with ICF by the end of the calendar year.

The Retail Channel Support solicitation was one of four one-stage solicitations SoCalGas had planned to accomplish within a short time frame in 2022.[47] [redacted]

Negotiations between SoCalGas and ICF advanced smoothly, despite the very aggressive timeline and SoCalGas having to reduce the overall program budget by 20% halfway through negotiations.

The IE is satisfied with the process taken by SoCalGas to select ICF's "Retail Channel Support Program" and feels that the Program, in addition to being consistent with the goals stated in SoCalGas's Business Plan, provides the best overall value to ratepayers.

6. Implementation Plan Assessment

The IE's review of the Draft IP for ICF's Retail Channel Support Program revealed that it was almost complete, given that ICF had done a very good job of developing an IP for a non-resource

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[47] This was reduced to three one-stage solicitations after SoCalGas decided to cancel the EE Kit solicitation in June 2022.

program. ICF's notations within the Draft IP justified the sections it had left blank because they did not apply to a non-resource program. The IE's comments and recommendations on the Draft IP were minimal:

- The "Innovation" section was missing. The IE recommended its inclusion in the Final IP.
- The IE found that the KPIs defined in the Draft IP did not correspond to those in the contract. The Draft IP included three KPIs that were not in the final contract and one for which the description did not match that in the contract.

The IE did not receive a revised Draft IP for review before ICF and SoCalGas presented the Draft IP at the Retail Channel Support Program Stakeholder IP Webinar on February 17, 2023. ICF's presentation lasted about 20 minutes and there was only one question (from the IE), thus the entire Webinar lasted just 25 minutes. There were nine attendees—all either SoCalGas, ICF, or the IE representatives. No representatives of the PRG attended the IP Webinar.

SoCalGas uploaded ICF's Final IP for the Retail Channel Support Program to CEDARS on February 21, 2023. ICF's Final IP addressed the IE's comments and recommendations, including:

- Presenting the missing "Innovation" section as described in the contract.
- Removing the three KPIs that had been included in the Draft IP but were not in the final contract.
- Correcting the description of the KPI that did not match the contract.

The IE believes that in future solicitations it should have an opportunity to review a revised Draft IP prior to its presentation at the Stakeholder IP Webinar. With this, the IE can better ensure that the Draft IP presented by the implementer provides Stakeholders with sufficient program information to understand the appraise the program.

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

LOCAL INNOVATIVE DESIGN FOR ENERGY EFFICIENCY APPLICATIONS SOLICITATION

Reporting Period: October 2022 through March 2023

Prepared by:
Don Arambula Consulting

Disclaimer: This Report includes sensitive and confidential information.

Local Innovative Design for Energy Efficiency Application Solicitation

1. Solicitation Overview

The Semi-Annual Report on the Local Innovative Design for Energy Efficiency Application (IDEEA) program solicitation covers the pre-RFA period between October 2022 through March 2023.

1.1. Overview

The Innovative Design for Energy Efficiency Applications 365 (IDEEA 365 or IDEEA) solicitation approach provides the bidder community with an ongoing opportunity to test new program concepts and technologies to advance customer adoption of EE. The ongoing nature of the IDEEA 365 approach creates a collaboration between the industry and SoCalGas. Implementers that ultimately deliver successful IDEEA 365 programs may be allowed to expand their scope and funding.

a. Scope

Interested bidders are encouraged to propose innovative programs that will use various program strategies and tactics, which may include but are not limited to:

- Providing comprehensive deep EE retrofits and whole building improvements to achieve long-term energy savings (i.e., direct install with co-pay, custom measures, NMEC);
- Offering energy assessments and other forms of technical assistance to drive EE actions;
- Providing financial incentives to customers and/or targeted market actors;
- Leveraging available financing options to fund project co-pays (e.g., 0% On-Bill Financing with favorable terms for Public institutions, Public Funding Assistance, private sector financing, etc.);
- Coordinating with available Regional Energy Networks (RENs), which provide added support to customers;
- Stacking incentives from other entities, such as municipal utilities and water agencies, where available in their design, including those customers that SoCalGas and other utilities dually serve;
- Partnering with local small business organizations and community-based organizations;
- Offering ways to use local contractors (e.g., trade allies);
- Modifying the customer's organizational decision-making; and/or
- Focusing on SoCalGas customers in rural, HTR, and/or DACs.

b. Objectives

This RFP looks for innovative approaches to reduce perceived program operational and market barriers, ultimately resulting in SoCalGas customers' saving energy. Selected programs will test new ways to increase customer adoption of EE, which will assist SoCalGas in achieving portfolio and sector-level metrics.[48]

The IDEEA 365 solicitation encourages the exploration of all relevant delivery channels and/or market-ready new technologies to produce an EE program directed at SoCalGas customers. Proposals may include the flexibility to target specific customers based on criteria such as, but not limited to, specific climate zones, income levels, customer HTR status, and customers located in disadvantaged communities.[49]

1.2. Timing

As of this IE semi-annual reporting period, SoCalGas had not released the RFP. The RFP stage duration extends beyond SoCalGas' PRG, and the CPUC's Energy Division (ED) recommended 15 weeks. This extended RFP period accommodates a new bidder interview process, which is critical to SoCalGas IDEEA evaluation. SoCalGas proposes completing contract negotiations within a 7-week, which is quicker than the ED's suggested 12-week period. Table 1.1 below includes key milestones for this program solicitation.

Table 1.1: Key Milestones		
Milestones	**Completion Date**	**Duration**
RFP Stage		
1. RFP Released	April 20, 2023	21 weeks (est.)
2. Optional Bidder Conference	April 26, 2023	
3. Bidder Questions Due	May 3, 2023	
4. Responses to Bidder Questions	May 10, 2023	
5. Bidder's Proposal Due	May 31, 2023	
6. Bidder Interviews Notification	July 7, 2023	
7. Bidder Interviews/Presentations	July 13-18, 2023	
8. Selected Bidders Notified	September 8, 2023	
9. Bidder Debriefing Sessions	September 9–29, 2023	
Selections & Contracting Stage		
1. Contract Negotiations Begin	September 9, 2023	7 weeks (est.)
2. Contract Execution Dates	October 31, 2023	
3. Implementation Plan Due	December 2023	
4. Program Launch	January 1, 2024	

1.3. Key Observations

During the development of the RFP materials, SoCalGas accepted each of the IE's recommendations and adhered to all PRG guidance. As a result, there are no key issues or observations related to the pre-RFP phase.

2. RFP Bidder Response and Selections

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

2.1. RFP Development

The RFP balanced the need for information to evaluate bidder proposals with the effort placed on

[48] *See* SoCalGas Portfolio And Sector-Level Metrics Compliance Filing, pp. 57-61, available at http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF.
[49] *See* Decision 18-05-041, COL 26 and 27, available at http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M215/K706/215706139.PDF.

the bidder in responding to the RFP. The RFP included general instructions, a response form (narrative and data), and the newly adopted CPUC-required standard and modifiable contract terms and conditions.[50] SoCalGas also presented its proposed Company-specific terms and conditions for the bidder's consideration.

SoCalGas reduced the number of bidder questions to only eleven. SoCalGas plans to conduct bidder interviews to glean more specific aspects of the IDEEA proposals. Based on the varied and unique nature of expected submissions, the supplemental interviews may provide a deeper insight into the likely success of the proposed program. The RFP imposed reasonable page limits that allowed ample opportunity for bidders to provide a clear and complete response to each question. Based on feedback from the IE, SoCalGas made refinements to its RFP outline to enable bidders to easily review the RFP instructions and assist them in responding to the solicitation.

The overall approach of the IDEEA solicitation departs from prior SoCalGas EE solicitations. The approach borrows from prior IDEEA solicitations conducted by the IOU and others over the past several years. The IDEEA solicitation looks to find and fund newer, untested program approaches. As a result, SoCalGas provides the bidder community multiple opportunities to submit their proposal in 2023-2024 with the expectation that the IDEEA solicitation will be available to bidders throughout the program cycle. If successful, the IDEEA approach will genuinely produce the innovation sought by the CPUC in these third-party program solicitations.[51]

SoCalGas will offer an optional debriefing session to encourage unsuccessful bidders to participate in future IDEEA solicitations. As presented in the RFP schedule, the debriefing sessions are scheduled immediately following bidder notifications. The timeliness of these sessions enables the bidders to address their proposal deficiencies and participate in a second IDEEA solicitation that SoCalGas has scheduled for the latter part of 2023.

2.2. RFP Outreach

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

2.3. RFP Bidders' Conference

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

2.4. RFP Bidders' Response

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

2.5. Proposal Selection Process

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

2.6. PRG and IE Feedback to Proposal Process and Selection

Much of the PRG and IE feedback has not yet occurred. Future Semi-Annual Reports will address

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[50] Decision 23-02-002, OP 1.

[51] The CPUC, in Decision 18-05-041, states: "Our fundamental intent with both these transitions **[program outsourcing and new statewide program governance structure]** is to achieve greater energy savings more efficiently, on the premises that (1) third parties will bring innovative strategies to bear on California's energy efficiency market, thereby achieving savings that would otherwise go untapped; and (2) statewide administration of certain programs could yield efficiency benefits in the form of standardized processes and seamless customer experience.", p. 71 [emphasis added].

this topic. However, as summarized below, the PRG provided preliminary feedback to SCG on the general concept of having a rolling, open solicitation.

A PRG member remarked that the IDEEA 365 concept was initially tried intermittently over the past two decades by the CPUC and IOUs to allow the EE industry to collaborate with the IOUs in identifying innovative and cost-effective programs that penetrate difficult-to-reach markets and drive energy savings for the long term. The PRG member further commented that the recurring procurement process sought competitive bidding for two types of programs: targeted and innovative. Targeted programs issued an open RFP to all qualified bidders, while innovative programs had both an RFA and RFP stage.

SCG replied that in this iteration, they are seeking only innovative programs, with closer to one and a half stages, including a very brief RFA stage and a more in-depth RFP.

3. Contracting Process

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

4. Assessment of Final Contract

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

5. Overall Assessment of Solicitation

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.

6. Implementation Plan Assessment

This solicitation activity has not yet occurred. Future Semi-Annual Reports will address this topic.