#### BEFORE THE PUBLIC UTILITIES COMMISSION

#### OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.

Rulemaking 13-11-005 (Filed November 14, 2013)

ENERGY EFFICIENCY INDEPENDENT EVALUATORS' SEMI-ANNUAL REPORT OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) THIRD PARTY ENERGY EFFICIENCY SOLICITATION PROGRAM AND PROGRESS

## PUBLIC VERSION

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June 18, 2021

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Southern California Gas Company ("SoCalGas") respectfully submits the Third Party Energy Efficiency Independent Evaluators' Semi-Annual Report ("Report"), attached hereto as Attachment A, in the above-captioned proceeding. Pursuant to Decision (D.) 18-01-004, the Independent Evaluators have conducted a semi-annual assessment of the third-party Energy Efficiency ("EE") program solicitation process and progress of SoCalGas. SoCalGas files the Report on behalf of the Independent Evaluators for the reporting period October 2020 through March 2021. SoCalGas did not prepare this report and although SoCalGas was provided an opportunity to review, its input was limited to a review of confidentiality markings for the filing of the Report.

Respectfully submitted on behalf of SoCalGas,

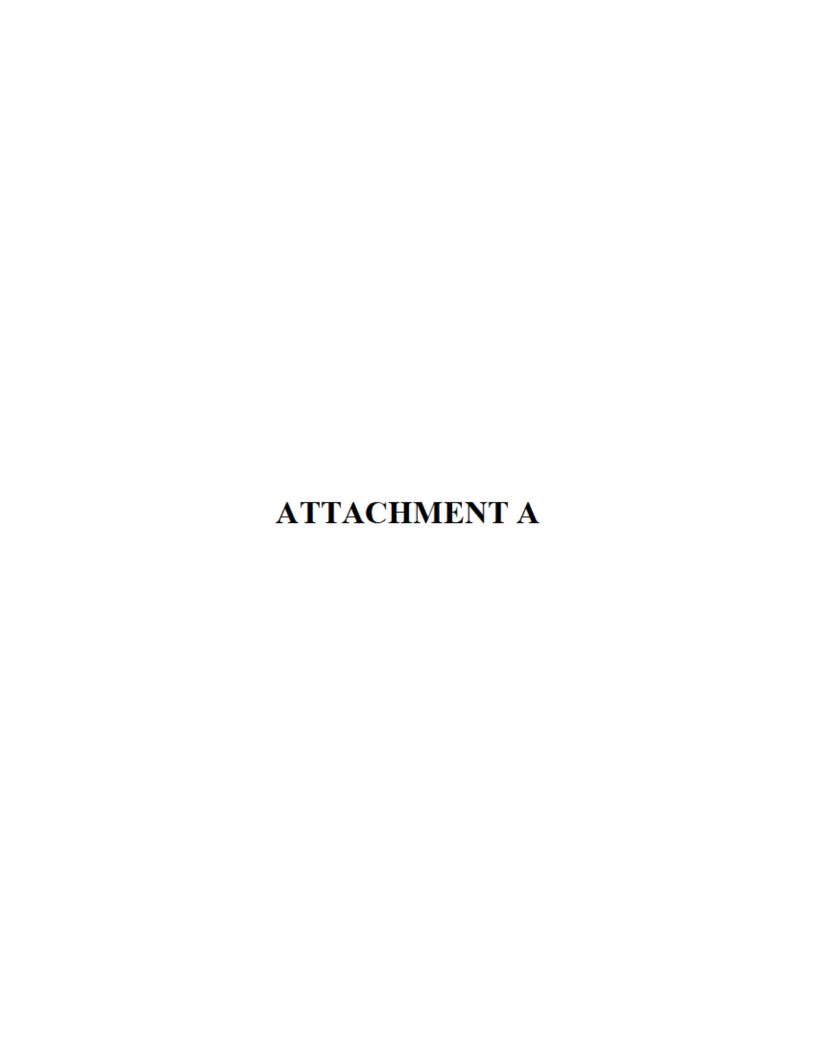
By: /s/ Holly A. Jones Holly A. Jones

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June 18, 2021



# Energy Efficiency Independent Evaluators' Semi-Annual Report

Southern California Gas Company
Third-Party Energy Efficiency Program Solicitations

Reporting Period: October 2020 through March 2021

Prepared by:
Apex Analytics, LLC
Don Arambula Consulting
MCR Corporate Services
The Mendota Group, LLC

June 11, 2021

Disclaimer: This report includes highly sensitive and confidential information.

# **ENERGY EFFICIENCY INDEPENDENT EVALUATORS' SEMI-ANNUAL REPORT**

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# Overview

# A. Purpose

The Independent Evaluators' (IE) Semi-Annual Report (Semi-Annual Report or Report) provides an assessment of the Southern California Gas Company's (SoCalGas or the 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). 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. 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) directs that a semiannual report on the overall process and conduct of the third-party solicitations be filed in the relevant EE rulemaking proceeding.<sup>3</sup> This Report is provided in response to this requirement and represents an assessment of the program solicitation activities conducted during the period from October 1, 2020 through March 31, 2021. This Report is intended to provide feedback to the CPUC on progress of the SoCalGas' EE program solicitations.

These Reports will be filed periodically throughout SoCalGas' entire third-party program solicitation process. This Report identifies areas for improvement and highlights effective practices as recognized by the IEs based on SoCalGas' current program solicitations. The Report is not intended to replace the required Final IE Solicitation Reports, which will be provided to SoCalGas and its PRG by the assigned IE at the conclusion of each solicitation.

# 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. In January 2018, the CPUC adopted Decision 18-01-004 directing the four California IOUs—SoCalGas, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E)—to ensure that their EE portfolios contain a minimum percentage of third-party designed and implemented programs by predetermined dates over the next three years. Further directions were included in Decision 18-05-041, which states:

The third-party requirements of Decision (D.) 16-08-019 and D.18-01-004 are required to be applied to the business plans of the investor-owned utilities approved in this decision. All utility program administrators shall have at least 25 percent of their 2020 program year forecast budgets under contract for programs designed and implemented by third parties by no later than December

Decision 18-01-004, OP 2.

<sup>&</sup>lt;sup>2</sup> Id, p. 38.

<sup>3</sup> OPN 5.c.

Decision 18-05-041, the CPUC extended the original target date for the 25 percent threshold from December 31, 2018 to December 19, 2019.

19, 2019, 5

# Two-Stage Solicitation Approach

The IOUs are required by the CPUC to conduct a two-stage solicitation approach for soliciting third-party program design and implementation services as part of the EE portfolio. All IOUs are required to conduct a Request for Abstract (RFA) stage, followed by a full Request for Proposal (RFP) stage.<sup>6</sup>

The CPUC also requires each IOU to assemble an EE PRG. 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 is charged with overseeing 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 briefs its PRG on a periodic basis throughout the process on topics including RFA and RFP language development, abstract and proposal evaluation, contract negotiations, and development of the program's Implementation Plan.

# Extension Request

In October 2019, SoCalGas requested an extension of time from the CPUC for the 25 percent threshold target date to allow for the full execution of its planned solicitation schedule to procure new third-party programs and to account for the newness of the program solicitation process. On November 25, 2019, the CPUC's Energy Division (ED) granted SoCalGas an extension of time to meet the 25 percent threshold by September 30, 2020.

The CPUC further stated that, consistent with Decision 18-05-041, the IOUs must meet at least 40 percent of their EE portfolios under contract for programs designed and implemented by third parties by December 31, 2020. No further extensions of time will be granted to the IOUs for meeting the third-party percentage requirements specified in Ordering Paragraph 4 of Decision 18-05-041.

# 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 semiannual CPUC-hosted public workshops to identify process improvements directed at the following issues:

#### Solicitation Schedules

 Allocate up to 12 weeks from RFA release to notification to bidders of invitation to respond to RFP.

-

<sup>5</sup> OPN 4.

<sup>6</sup> Decision 18-01-004, p. 31.

<sup>&</sup>lt;sup>7</sup> 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.

- Allocate up to 15 weeks from RFP release to notification to bidders' invitation to contract negotiation.
- Execute contract 12 weeks after invitation to contract negotiation unless IOU is conducting multiple negotiations within the same solicitation, the program is complex, or the IOU is addressing challenging contract 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 incomplete or non-conforming submission, a violation, or an unmitigated conflict of interest.
- After the June 30 and September 30, 2020 deadlines are met, the ED encourages the IOUs to make feedback available to bidders notified prior to the date of this letter that they did not advance to the next stage of solicitations.

# C. Overview of Solicitations

This Report represents a collection of individual IE assessments for each of SoCalGas' active program solicitations. For ease of review, 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. The Report does not address program solicitations for which SoCalGas has yet to release an RFA.

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

	Table C.1: Solicitations Overview (October 2020 through March 2021)					
Report Solicitations		Assigned IEs	Solicitation Status			
1	Local Residential Single Family	The Mendota Group	Contracts Executed			
2	Local Residential Multifamily	The Mendota Group	Contracts Executed			
3	Local Small and Medium Commercial	Don Arambula Consulting	Contract Executed			
4 Local Small and Medium Public		Apex Analytics	Contract Executed			
5	Statewide Point-of-Sale Food Service	MCR Corporate Services	Contract Executed			
6	Statewide Midstream Water Heating	MCR Corporate Services	Contract Executed			
7 Statewide Gas Emerging Technologies		Don Arambula Consulting	Contracting			
8	Local Residential Manufactured Homes	Apex Analytics	Contracts Executed			
9	Local Large Commercial	Don Arambula Consulting	Contract Executed			

	Table C.1: Solicitations Overview (October 2020 through March 2021)				
Report Solicitations		Assigned IEs	Solicitation Status		
10	Local Agricultural	MCR Corporate Services	Contract Executed		
11	Local Behavioral	Apex Analytics	Contracting		
12	Local Industrial	Don Arambula Consulting	RFA		
13	Local Large Public	Apex Analytics	Pre-RFA		

Legend:

Pre-RFA: Activities conducted prior to RFA release.

RFA: Includes bid preparation and evaluation period.

Pre-RFP: Activities conducted prior to RFP release.

RFP: Includes bid preparation and evaluation period.

Contracting: Contract negotiations being held.

Contract Executed: Both parties signed contract.

Suspended: Solicitation held until a later date.

Cancelled: Solicitation withdrawn; scope may be included as part of a future solicitation.

As of the conclusion of this reporting period, the contracts shown in Table C.2 have been executed and applied to the IOU's minimum third-party program threshold requirement 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) %8
Local Small and	Franklin	Small and Medium	September 24, 2020		
Medium	Energy	Commercial Energy			
Commercial	Services	Efficiency Program			
Local Small and	ICF	C-BEST Program	August 31, 2020		
Medium	Resources,				
Commercial	LLC				
Local	Synergy	Residential Advanced	September 21, 2020		
,		Clean Energy	_		
Single Family Program		Program			
Local	Global	Community	September 21, 2020		
Residential	Energy	Language Efficiency			
Single Family	Services, Inc.	Outreach Program			
Local	ICF	Multifamily Energy	September 21, 2020		
Residential Resources,		Alliance Program			
Multifamily LLC					
Local Small and Synergy Small-Medium Publi		Small-Medium Public	August 31, 2020		
Medium Public	Companies	Program			
Large	Willdan	Large Commercial	December 17, 2020		
Commercial		Program			

<sup>&</sup>lt;sup>8</sup> The DBE spend is an estimate from the contracts to show the percentage of the budget that is forecasted to be subcontracted with DBE firms. Actual DBE spend will be reported by the IOU per General Order 156. These programs may contain significant levels of customer incentives that are not eligible for DBE classification.

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	Table C.2: Summary of Executed Contracts				
Solicitation	Implementer	Program Name	Contract Execution Date	Total Contract Value	Diverse Business Enterprise (DBE) %8
Large	Enovity, Inc.	Service RCx+ Large	December 23, 2020		
Commercial		Commercial Program			
Local	Synergy	Comprehensive	December 21, 2020		
Manufactured	Companies	Manufactured			
Homes	-	Homes Program			
Local	Staples &	Residential	December 23, 2020		
Manufactured	Associates	Manufactured			
Homes		Homes Program			
Statewide	Energy	California	November 23, 2020		
Point-of-Sale	Solutions	Foodservice Instant			
Food Service		Rebates Program			
Statewide	DNV Energy	Statewide Midstream	November 20, 2020		
		Water Heating			
Water Heating Inc. Program		Program			
Local	ICF Agriculture Energy		December 14, 2020		
Agricultural	Resources,	Efficiency (AgEE)			
LLC Program					
* Implementer is a ce	rtified DBE.				

# D. IE Assessment of Solicitations

Table D.1 presents some of the key observations gleaned 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	
RFA				

Table D.1: IE Observations and Outcomes			
Topics	Key Observations	IE Recommendations	Outcomes
RFP			
Bidder	The RFP contains	Reduce the number of	Under consideration.
Question	questions with many	subcomponents within a	
Design	subcomponents	question.	
	, which is difficult		
	for scorers to track and		
	score.		
	Implementation		
Desc <del>ri</del> ption of	The IOU's Contract	Future contracts should clearly	Under consideration.
Program	template does not	identify the program's	
Innovations in	include a discussion on	innovative attributes. These	
Contract	the program's	attributes should be included in	
	innovative qualities.	the Implementation Plan.	

	Table D.1: IE Observations and Outcomes				
Topics	Key Observations	IE Recommendations	Outcomes		
Invitations to	The Implementation	The IOU should invite to the	Under consideration.		
Implementatio	Plan workshop is the	public workshop unsuccessful			
n Plan Public	only public reveal of a	bidders who participated in the			
Workshops (to	third-party program if	solicitation and current			
Unsuccessful	an advice letter is not	implementers.			
Bidders and	required.				
Existing					
Program	Unsuccessful bidders				
Implementers)	want to know why their				
	proposal was not				
	selected.				
	It is also good for				
	existing implementers				
	to be aware of other				
	third-party offerings in				
	the IOU's portfolio.				

# E. IOU Emerging Effective Practices

During the implementation of the solicitations, the IEs observed emerging effective practices that, when adopted, can make the process more effective, efficient, and more transparent for future solicitations. The IEs recommend that the practices identified in Table E.1 be implemented by all the IOUs for future EE solicitations.

	Table E.	1: Effective Solicitation Practices
Emerging Best Practice	IOU	IE Analysis
Collaborative Negotiations	SoCalGas	SoCalGas conducted collaborative contract negotiations, which produced an improved program offering and cost-effectiveness showing at a lower cost to ratepayers. The collaboration created a sense of partnership among the IOU and implementer.
Bidders' Conference	SoCalGas	SoCalGas is using a new conference system (Teams Live) that allows for improved features such as attendee tracking, recording and integrated Q&A. This should be considered an effective practice. It is helpful information and provides a good foundation for any new market entrants.
Solicitation Kickoff Meeting	SoCalGas	SoCalGas has begun the practice of hosting a solicitation kickoff meeting with the IE, program staff, and solicitation staff to discuss the solicitation, understand the current program structure and SoCalGas' solicitation goals. This is helpful in aligning the IE and the SoCalGas team early on the solicitation and made the RFA package review more efficient.

# F. PRG Feedback

PRG feedback on solicitations was generally accepted 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 presented in Attachment II.

# G. Stakeholder Feedback from CPUC Workshops

## January 2021 Stakeholder Meetings

The CPUC, pursuant to Decision 18-01-004, held a public stakeholder workshop on January 29, 2021. The session focused on recapping activities of all of the EE third-party solicitations from both the IOUs' and the IEs' perspectives and providing an opportunity for stakeholders to ask questions and receive updates on the EE Third-Party Solicitations. Participants included PRG members, IEs, CPUC Energy Division Staff, IOUs, stakeholders, and bidders. Presentations and agendas from the workshop are available on the California for Energy Efficiency Coordinating Committee's (CAEECC) website.<sup>9</sup>

The IOUs reported on the status of their solicitations and the IEs presented observations from the last semi-annual report.

#### Open Forum

The main topics that were raised and discussed by stakeholders included the following:10

IOU Receptivity to IE Advice. California Efficiency + Demand Management Council (CEDMC) noted that stakeholders appreciate the IE role. The IE expertise in the EE industry is critical for providing technical support to the IOUs. The concern is that the IOUs are not listening to the IEs and there is not enough transparency to the stakeholders on what is adopted and what is not. The IOUs responded that, while there are some issues that cannot be made public, it should be noted that the IOUs are adopting the large majority of IE suggestions during the process. The IE reports support this statement.

Solicitation Timing. CEDMC shared that, across-the-board, the timing of the process is better, with better visibility, but there are still concerns about the length of time (much driven by the need for stakeholder involvement) for solicitations. The time third-party solicitations have taken to date is an outlier within the EE industry. PG&E responded that they are implementing improvements to shorten timelines. SCE remarked that the schedules started at a slower pace but that improved with each solicitation. Some delays have been the result of PRG meeting timing.

Small Business/Disadvantaged Enterprises. CEDMC observed that there is little room

<sup>9 &</sup>lt;u>https://www.caeecc.org/third-party-solicitation-process.</u>

<sup>10</sup> This information reflects comments made by stakeholders in the meeting and is not necessarily aligned with IE observations/opinions.

for small businesses to participate in these solicitations. Onerous terms and conditions pose significant challenges for small or disadvantaged businesses. The IOUs agreed that this issue is a high priority. SDG&E is working on better outreach to vendor communities and noted that the IEs are helping to provide help with improvements. PG&E is focused on enabling small businesses to engage in many ways, including in teams, as primes or sub-contractors. SCE is looking into more small businesses and disadvantaged business enterprise opportunities. The IEs are tracking the percentage of contracts awarded to small and minority businesses as either the prime or subcontractor. Small Business Utility Advocates (SBUA) noted they are aware of the trade-off between the focus on program cost-effectiveness and encouraging innovation and recommended greater outreach to various organizations, such as Supplier Clearinghouse, National Minority Council, Women-Owned Businesses, and Disabled Veterans to potentially partner to increase opportunities for small businesses to participate in solicitations.

Feedback to Bidders. Although there have been improvements to the feedback process, concerns remain that there is a lack of progress on providing meaningful feedback to unsuccessful bidders. IOUs maintain that, because of confidentiality and legal issues, feedback to bidders must be kept at a high level. The IOUs are working to improve their feedback and are considering potential ways to share aggregated lessons learned and to make conversations with bidders more "two-way". The IOUs noted that feedback is currently provided upon request.

# b. <u>Electronic Technical Reference Manual (eTRM) Improvements</u>

The Energy Division presented technological improvements they are incorporating into the eTRM. This publicly-available and easily accessed tool serves as the statewide repository for California's deemed energy efficiency measures, along with supporting documentation. The new tool can be found here: <a href="https://www.caetrm.com/login/">https://www.caetrm.com/login/</a>.

Stakeholders recommended the following related to eTRM/CET:

- Addition of a Deemed Pick List (as PG&E provided) would assist in inputting deemed measures into the CET.
- Accommodating Mac users
- Ability to address multiple climate zones/multiple IOUs
- Consideration of societal costs from the IDER Decision

#### Next Steps/Meetings

The Energy Division intends to have a follow up meeting to address issues raised in this forum and to follow up on conversations. It is important that stakeholders provide feedback on the topical areas to help focus these follow-up meetings.

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

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

# **Local Residential Single Family**

Reporting Period: October 2020 through March 2021

Prepared by: THE MENDOTA GROUP



Disclaimer: This report includes highly sensitive and confidential information.

# Local Residential Single Family Program

## 1. Solicitation Overview

During the time period covered by this Semi-Annual Report, SoCalGas completed the last portions of its Local Residential Single Family Solicitation, including submitting and receiving approval for Synergy Companies' Residential Advanced Clean Energy program Advice Letter, as well as drafting and uploading the Implementation Plan (IP). As the bulk of the solicitation information was provided in the April 2020 through September 2020 Semi-Annual Report, the current report primarily reflects information specific to the contracting process and IP assessment.

# 2. RFA Bidder Response and Selections

The RFA activities were reported in the April 2020 through September 2020 Semi-Annual Report.

# 3. RFP Bidder Response and Selections

The RFP activities were reported in the April 2020 through September 2020 Semi-Annual Report.

# 4. Contracting Process

# 4.1. Contract Negotiations

# a. Collaboration on Final Program Design and Scope

SoCalGas and Synergy collaborated on the final program design, both in terms of reconfiguring the program to meet its achievements with a lower budget than proposed and in terms of increasing the comprehensiveness of the measures offered. The budget was increased to from the proposed because SoCalGas allocated to the program a portion of the funds that were originally designated for another selected bidder (see Section 6.2(a) for discussion). The program's cost effectiveness increased substantially relative to the original proposal, mainly due to adjustments to the measure mix and updates to technical assumptions. The program also added some longer-lived measures (e.g., tankless water heaters and fireplace inserts) to improve the program's comprehensiveness and to ensure the program could provide deeper savings.

The bidder's proposed program design did not change substantially from what was proposed. We believe the collaboration with Synergy met the CPUC's definition of a third-party program per OPN 10 of Decision 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 Synergy and SoCalGas did not result in a violation of the requirement that the program be designed by the third party.

#### b. Fairness of Negotiations

We believe the contract negotiations were fair and the process did not require the bidder to incur any uncompensated costs other than delayed revenue opportunities resulting from a protracted contracting process. There was no evidence of positive or negative bias towards Synergy during contract negotiations. The actual contract negotiation process was straightforward with few items in dispute. However, after completing its initial set of negotiations with the contractor in approximately 86 days, a delay ensued while SoCalGas readied its Advice Letter filing. As discussed in the previous section, SoCalGas then re-engaged Synergy to add budget and scope to the program. The negotiations post re-engagement were very quick, taking only 35 days to complete. This period

included PRG review. From start of negotiations to final signature, the overall contracting process took approximately 186 days or more than 6 months.

# c. Changes to Contract Terms & Conditions

There were no issues with respect to changes to the CPUC's Modifiable Contract Terms and Conditions. The CPUC's Standard Contract Terms and Conditions were also adopted, unchanged.

# d. Conformance with CPUC Policies and Objectives

The following table provides a summary of the way elements of the program align with CPUC Policies and Objectives. Some information may duplicate other parts of this report.

Table 2.1: Synergy Contract Alignment	with CPUC Policies and Objectives
Item	Program
Changes to any aspects of Terms and Conditions (Ts&Cs) are within guidelines (no changes to CPUC Standard, limited changes to Company Ts&Cs and CPUC Modifiable Contract Ts&Cs).	There were no changes to the terms and conditions.
Contract is consistent with CPUC incentive guidelines.	Majority of the program is direct install and provides free installed measures to customers. Program includes only a handful of measures for co-pay, so doesn't really have the ability to include escalating incentives for higher efficiency equipment.  Therefore, there are no tiered incentives and there is not a way to build in mechanisms that allow contractors to align incentives with energy savings activities, as would be the case with Normalized Metered Energy Consumption (NMEC).
Contract is consistent with Measurement & Verification (M&V) Plan with NMEC guidelines.	As a 100% deemed savings program, the IP will include an M&V component specifying the number of projects inspected after installation and to ensure quality workmanship. M&V Plan will be part of IP.
There are a reasonable number of Key Performance Indicators (KPI).	Contract has seven separate KPIs which we consider to be a reasonable number.
KPIs make sense in terms of what they are measuring, the scale applied to them, and the timeframe on which they are monitored.	The KPIs make sense in terms of tracking the program's activities and its primary focus on delivering comprehensive services to Single Family homes. SoCalGas sought to ensure that the KPIs language was consistent across its Single-Family and Multifamily contracts.
Contract includes appropriate performance issue remedies.	Yes. Section 1.2 of Attachment 8 includes performance remedies for failing to achieve the KPIs.
Contract clearly addresses Support Services.	Yes. The contract includes only Basic Support Services which are described in Attachment 2.

Table 2.1: Synergy Contract Alignment with CPUC Policies and Objectives		
Item	Program	
Innovative aspects of the program are retained.	Generally, yes. Program's innovation stems from incorporating walk-through audits, water measures, and measures offered together with airquality districts in order to provide a more comprehensive offering. The Proposal included a very small NMEC portion, which was removed during contracting because of the very small role (and yet potentially very large effort commitment) the offering would play in the overall program.	
If applicable, Integrated Demand Side Management (IDSM) components are incorporated.	The program seeks to maximize energy savings opportunities associated with customer engagement, including potential incorporation of electric savings measures through partnerships with electric utilities.	
If applicable, program considerations for Hard to Reach (HTR) customers and Disadvantaged Communities (DACs) are incorporated.	The program actively seeks to serve HTR customers and DACs and includes KPIs that set its goals at 60% of customers/communities served.	
Changes proposed by SoCalGas or Contractor were reasonable and fair.	Yes, proposed changes from SoCalGas and from the contractor were reasonable and fair. The major changes proposed were requests from SoCalGas to add some longer-lived measures (e.g., tankless water heaters and fireplace inserts) and efforts to add more comprehensive projects.	

## e. Uniformity of Contract Changes

SoCalGas negotiated with three different contractors to serve the Residential Single Family segment. Contract changes were implemented uniformly across contracts.

#### 4.2. Final Selection

At the RFA and RFP stages, SoCalGas' selections generally aligned with the IE's shadow scores. With one exception (as discussed further in Section 3.2), we agreed with SoCalGas decisions about which bids to advance to RFP and to Contracting. The following table shows the contract lengths for the two programs selected from this solicitation.

#### 4.3. Contract Execution

Table 2.2: Bids Selected for Contract Execution		
Bidder	Years	Program
Global Energy Services	3	Community Language Efficiency Outreach
Synergy Companies	3	Residential Advanced Clean Energy

# 4.4. PRG and IE Feedback to Contracting

At the RFA stage, although the PRG generally supported SoCalGas' selections, members raised concerns about the manner in which the Company developed its shortlist.

As indicated by IEs involved in other solicitations, SoCalGas did alter its approach; however, at the RFP stage for the Single Family solicitation, SoCalGas again did not involve the IE in its decision-making discussions.

Also at the RFA stage, we observed that SoCalGas decided to advance a low-scoring bidder to RFP, but we did not oppose the selection. SoCalGas explained that they wanted to include the bid because of the population it proposed to serve, namely Hard to Reach (HTR) customers and Disadvantaged Communities (DAC).

The PRG reviewed the bids selected to advance from RFP to Contracting at its November 5, 2019 meeting. As noted in the Key Issues and Observations, at the RFP stage, the IE, Office of Public Advocates, and the CPUC ED did not support SoCalGas' decision to advance the same low-scoring bidder from the RFP stage to Contracting. This was, again, based on the bidder's overall very low RFP score. SoCalGas reiterated that the bidder offered a modestly budgeted program targeted at HTR customers and DACs and held to its decision to advance the program to contracting. The IE and PRG did support the decision to advance two of the highest scoring bidders to contracting. One of those bidders, Synergy, is the subject of this report.

In February 2020, the PRG raised concerns with SoCalGas about delays in moving to the Contracting stage. SoCalGas explained at their March 3, 2020, PRG meeting that confusion regarding which proposed programs could advance to Contracting led to the delays.

#### 5. Assessment of Final Contract

# 5.1. Bid Selections Respond to Portfolio Needs

The final selections in the Residential Single Family Solicitation are consistent with SoCalGas' portfolio needs as identified in its Business Plan. SoCalGas sought a combination of programs that would serve the needs of its residential single family customer segment and the three selected programs meet this need. Specifically, one of the selected contractors (Synergy) will provide full-service offerings to residential customers, with an emphasis on direct install and comprehensiveness. The second contractor (GES) has a limited scope, focused primarily on HTR customers and DACs. The two programs complement each other and other programs in SoCalGas' portfolio.

# 5.2. Bid Selections Provide the Best Overall Value to Ratepayers

#### a. Introduction

Assessing best overall value to ratepayers is challenging for IEs because our primary roles, as defined by the CPUC, are to "monitor the entire process from RFA design to contract execution", "serve as a consultant to the PRGs", "provide assessments of the overall third party solicitation process and progress", and "lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs." During the solicitation process, the IEs' roles expanded to include providing IOUs and the PRG on the best way to approach aspects of the solicitation process; however, this role did not (and should not) extend to offering opinions to the IOUs or

<sup>11</sup> D. 18-01-004, pp. 37-38.

PRGs about which bids best meet the utility's or the CPUC's objectives.

As such, beyond reporting about the details of the selected bids and the process that produced the final contracts, in our view an IE should not evaluate whether the selections were the "best" options available to the IOU. Rather, IEs should, as indicated by the CPUC, monitor the entire process from RFA design to contract execution, provide assessments of the overall third-party solicitation process, and lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs.

Therefore, the analysis that follows does not attempt to directly compare the selected contract with other proposals in the bid pool. In our view, if the solicitation process was conducted fairly and consistent with the scorecard, the resulting program represents the best from the pool. By extension, it also provides the best overall value to ratepayers. In the interest of providing context for the selected bid, we have compared quantitative aspects of the selected program to SoCalGas' existing Residential portfolio to understand whether, if successfully implemented according to plan, the program will improve the overall portfolio's cost effectiveness and help enable the Company to meet its energy savings goals. We also include discussions of the program's compensation structure, how the program aligns with or diverges from reasonable EE planning principles, and how the program conforms to CPUC policies and objectives.

## b. Brief Program Description

The Synergy Residential Advanced Clean Energy Program was the highest scoring bid coming out of the RFP and generally demonstrated superior attributes relative to the other proposals. The program employs a primarily direct install approach to serving residential single family customers, with efforts to leverage relationships with electric utilities serving customers that overlap with SoCalGas' service territory. As described in its contract, the Residential Advanced Clean Energy program "is a comprehensive advanced clean energy solution for single-family customers. The advanced clean energy path begins with the delivery of cost-effective therm-rich direct install measures that transitions to an advanced clean energy opportunity for the single-family customer that can be financed by outside sources. The program leverages IOU electric, municipal electric, and local agency clean energy single-family opportunities offering, in addition to natural gas clean energy, electric, and carbon emission reduction clean energy solutions."

#### c. Quantitative Program Information

The following table shows a summary of the quantitative information extracted from the program's contract. We have also provided for comparison ex-ante metric information from a combination of Appendix D of SoCalGas' 2019 Annual Report and 2019 end-of-year claims from the California

<sup>12</sup> To the extent an IOU includes other stages beyond the RFA and RFP during which final contract selections are made (interviews or competitive contract negotiations), it is important that the IOU is transparent about the way it plans to make final selections and that IEs are able to observe IOU conversations during which decisions are made. SoCalGas did not include interviews or competitive contract negotiations in its solicitation process.

Energy Data and Reporting System (CEDARS). <sup>13</sup> The Residential Sector information does not include results or budget for the Company's Behavioral program or its low-income Energy Savings Assistance program as these two programs represent almost 90 percent of the sector's therms savings and are not directly comparable to the programs selected in this solicitation.

Table 3.1: Synergy Residential Advanced Clean Energy Program Contract Attributes		
Item	Synergy Residential Advanced Clean Energy Program	SoCalGas Residential Sector <sup>13</sup>
Summary Dat	a	
Total Budget		\$28,045,341
IDSM Budget	N/A	N/A
Gas Savings (Net first-year therms) 13	252,856	1,896,085
Electric Savings (Net lifecycle therms) 13	2,458,701	18,699,513
Electric Savings (Net first-year kWh) 14	2,401,436	6,325,889
Net-to-Gross (therms)	80%	64%
Net-to-Gross (kWh)	90%	63%
NPV of Net Lifecycle Benefits <sup>15</sup>	\$1,343,362	-\$16,756,333
Metrics		
Total Resource Cost (TRC) Test	1.37	0.56
Program Administrator Cost (PAC) Test	1.88	0.79
Lifecycle Acquisition Cost/therm (PAC levelized cost) 16	\$0.44	\$0.77
Lifecycle Acquisition Cost/kWh (PAC levelized cost)17	\$0.07	Not Available
Simple Acquisition Cost (\$/ therm) 18	\$1.22	\$1.50
Simple Acquisition Cost (\$/lifecycle mmBTU) 19	\$9.36	\$13.50
DACs (% of savings from)	60%	4.4%
HTR Customers (% of savings from)	60%	3.6%

The program aligns with California energy policies in helping achieve energy savings and other benefits in the Residential Single Family segment. Specifically, the program aligns with Senate Bill 350's pursuit of doubling statewide EE savings by 2030 and seeking to overcome barriers to DACs

<sup>13</sup> The Annual Report is accessible from: <a href="https://www.socalgas.com/regulatory/efficiency">https://www.socalgas.com/regulatory/efficiency</a> and the 2019 claims are accessible from <a href="https://cedars.sound-data.com/reports/summary/">https://cedars.sound-data.com/reports/summary/</a>

<sup>&</sup>lt;sup>14</sup> We used an average program single year to match with the single year of SoCalGas' Residential sector results (excludes Behavioral program and ESA).

Net supply and other costs avoided minus participant and program costs.

<sup>&</sup>lt;sup>16</sup> PAC levelized cost is calculated using total Program Administrator Costs from the CET, weighting the portion of net benefits attributable to the fuel (gas or electric), and then dividing by the program's total lifecycle net therms or net kWh.
<sup>17</sup> PAC levelized cost is calculated using total Program Administrator Costs from the CET, weighting the portion of net benefits attributable to the fuel (gas or electric), and then dividing by the program's total lifecycle net therms or net kWh.
<sup>18</sup> Simple acquisition cost per lifecycle therm divided the total budget by the program's total lifecycle energy savings.

<sup>19</sup> Simple acquisition cost per lifecycle mmBTU provides a better way to show total savings relative to cost since a BTU calculation captures both electric and gas savings.

participating in EE programs.<sup>20</sup> The program relies on a direct install approach (90 percent no-cost to customer, 10 percent with co-pay) for gas measures, with the aim to advance customers down a clean energy path by leveraging partnerships with electric utilities (investor-owned and municipal) and financing to drive a more comprehensive solution.

The program has a strong Total Resource Cost (TRC) test result which, as evidenced by Table 3.1, should help increase SoCalGas' overall portfolio TRC for the Residential Sector. Innovative features include making offerings more comprehensive for customers through water saving measures, working with air quality districts to take advantage of measures that reduce air pollution while saving energy (e.g., fireplace inserts), leveraging electric measures, and making customers aware of other clean energy opportunities. In addition, the program has an aggressive target of 60 percent of its savings coming from HTR customers and those living within DACs.

The Residential Advanced Clean Energy Program will contribute to the sector's achievements but likely has the potential to go beyond its current goals. The program's energy savings are substantial, averaging approximately 252,856 first-year therms annually (758,568 first-year therms over the contract term). Using 2019 results as a guide, the program would contribute approximately 13 percent to SoCalGas' residential savings (excluding Behavioral and ESA).

Further, based on the 2019 Navigant Market Potential Study,<sup>21</sup> the SoCalGas non-low-income program residential sector potential for 2021 is approximately 5.68 million therms, of which about 1.42 million therms are attributable to residential rebate programs (4.26 million are attributable to single family and multifamily Behavioral programs). The Residential Advanced Clean Energy Program's goals equal about 18 percent of the residential single family rebate program savings potential.

#### d. Measurement and Verification

The program primarily consists of deemed measures and, therefore, its measurement and verification requirements are limited to confirmation of installations, ensuring that measures are working properly, and inspections of a sampling of installations.

#### e. Compensation

The programs' compensation structure is 99 percent performance-based. We use "performance-based" to distinguish from "pay-for-performance", a term that per CPUC D.18-01-004 has associated specifically with programs using meter-based savings methodologies (measured and verified savings). Performance-based refers to compensation that is associated with deemed or non-meter-based custom measures in which savings are not verified during the program term. Payments to the contractor for the program are primarily "payment per widget" wherein SoCalGas pays Synergy fixed amounts for individual deemed measures installed (and a sample inspected). The 1 percent that is not performance-based is associated with measurement and verification activities to sample a selection of measures to validate deemed savings estimates (and propose possible workpaper modifications).

We believe this approach strikes a reasonable balance between utility and the third party's interests

<sup>&</sup>lt;sup>20</sup> SB 350 is the Clean Energy and Pollution Reduction Act of 2015. <a href="https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?billid=201520160SB350">https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?billid=201520160SB350</a>.

<sup>&</sup>lt;sup>21</sup> The study documents are available at: <a href="https://www.cpuc.ca.gov/General.aspx?id=6442461220">https://www.cpuc.ca.gov/General.aspx?id=6442461220</a>. The interactive webbased analytics are available at: <a href="http://acp.analytica.com/acpbeta/shared/#dash/fca42209-b98d-4e83-852f-3d075f99ce9b">https://acp.analytica.com/acpbeta/shared/#dash/fca42209-b98d-4e83-852f-3d075f99ce9b</a>.

in that ratepayers will not pay if the program does not achieve savings. On the other hand, contractor risk is not excessive in that the contractor is likely confident that they can meet established goals and has built sufficient margin into their pricing to ensure that they are reasonably compensated for work completed.

The following table shows how contractor compensation amounts change based on achievement of different levels of savings.



As shown in the table, reductions in savings achievements do not have a significant effect on \$/therm or \$/lifecycle mmBTU, largely because less than 1 percent of the budget is tied to activities that do not produce energy savings. The \$/therm and \$/lifecycle mmBTU increases disproportionately at 25 percent because the portion of the program that is not tied to energy savings ( ) is a larger percentage of this level of spending.

## f. Supports Portfolio and Applicable Sector Metrics Achievements

The Program's Key Performance Indicators (KPIs) align well with SoCalGas' portfolio and sector metrics. Table 3.3 below shows the KPIs from the contract and how each aligns with the Company's Portfolio and Residential Sector (Single Family Segment) metrics. The metrics are referenced on page 16 of Southern California Gas Company's "Request for Approval of Annual Energy Efficiency Budget Filing for Program Year 2020" (Annual Budget Advice Letter U904-G/5510-E).

Table 3.3: Contract KPIs and SoCalGas Metrics		
KPI	Portfolio Metric	Single Family Segment Metric
Energy Savings Delivered	Yes	Yes
Goals/Expenditure Alignment	No	No
Cost Effectiveness Alignment	Yes	Yes
Levelized PAC Cost	Yes	Yes
Diverse Business Enterprise Spend	No	No
Conversion to Comprehensive Energy		
Efficiency or Clean Energy Projects	No	No
Hard to Reach and Disadvantaged		
Communities	Yes	Yes
Program Administration and Implementation	No	No

The KPIs are appropriate to the program and help ensure that the program's goals align with the Company's overall EE objectives.

#### 6. Overall Assessment of Solicitation

As noted in this report, there were issues that we and the PRG raised during the solicitation process. However, these issues were largely resolved, and the lessons learned have helped inform other solicitations SoCalGas is conducting and plans to conduct in the future. The solicitation was conducted fairly, transparently and without bias. Overall, SoCalGas' Local Residential Single Family segment solicitation produced programs that will enable the Company, its customers, and the State to benefit from the more efficient use of energy. The contract specifically discussed in this report, the Synergy Residential Advanced Clean Energy Program, will help the Company cost effectively achieve its energy savings goals while also fulfilling the metrics documented in the Company's Annual Budget Advice Letter (ABAL) filing.

# 7. Implementation Plan Assessment

During the time period reflected in this Semi-Annual Report, SoCalGas worked with Synergy Companies to develop the program's IP, hold the required stakeholder workshop to present the draft IP and receive feedback, and finalize the Plan for posting to CEDARS.<sup>22</sup> We provided feedback on the draft IP, finding that the draft IP was generally consistent with the contract and the IP template. SoCalGas held the workshop on December 17, 2020. The workshop was well attended. Participants did not ask any questions.

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<sup>&</sup>lt;sup>22</sup> "Decision Addressing Energy Efficiency Business Plans," D. 18-05-041, California Public Utilities Commission, Conclusions of Law 1, p. 169.

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

# **Local Residential Multifamily**

Reporting Period: October 2020 through March 2021

Prepared by: THE MENDOTA GROUP



Disclaimer: This report includes highly sensitive and confidential information.

# Local Residential Multifamily Program

#### 1. Solicitation Overview

This Report covers the activities associated with the Local Residential Multifamily solicitation for the period from October 2020 through March 2021. During the period covered by this Report, SoCalGas completed negotiations and executed the contract with the second of the two bidders, Energx, selected by this solicitation. Unless specifically mentioned, all solicitation references in this Report relate to Contracting. The RFA stage of the solicitation was covered in the June 2019 Semi-Annual Report, the RFP stage was covered in the December 2019 Semi-Annual Report, and the beginning of contract negotiations was covered in the June 2020 Semi-Annual Report. The first contract awarded under this solicitation, to ICF Resources for its Multifamily Energy Alliance Program, was covered in the September 2020 Semi-Annual Report. It should be noted that SoCalGas ran its Multifamily and Single Family solicitations at the same time, used similar template documents, followed similar processes, and engaged in contract negotiations for these sectors in parallel. Therefore, many of the items discussed in this Report are similar to those discussed in the Single Family Report.

# 2. RFA Bidder Response and Selections

The RFA activities were reported in the June 2019 Semi-Annual Report.

# 3. RFP Bidder Response and Selections

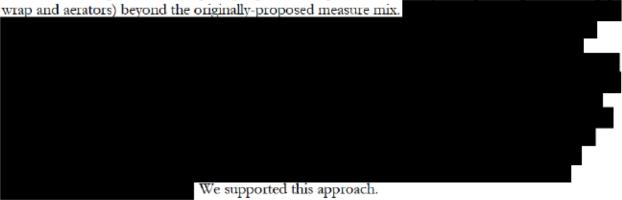
The RFP activities were reported in the December 2019 Semi-Annual Report.

# 4. Contracting Process

# 4.1. Contract Negotiations

## a. Collaboration on Final Program Design and Scope

SoCalGas and Energy collaborated on the final program design both in terms of simplifying the customer offering and increasing the program's comprehensiveness by incorporating measures (pipe wrap and aerators) beyond the originally-proposed measure mix.



Energy's budget remained consistent with the amount bid in response to the RFP. The program's cost effectiveness and savings goals dropped slightly from the original proposal, mainly due to

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<sup>&</sup>lt;sup>23</sup> SoCalGas submitted the Advice Letter for the ICF contract on November 20, 2020 (Advice No. 5729). However, an Energy Savings Assistance (ESA) program contractor, Quality Conservation Services, filed a protest requesting changes to the program. The Energy Division had not yet issued a Disposition during the period covered by this report.

updates to technical assumptions to more closely align with the workpapers. Overall, the bidder's proposed program design did not change substantially from what was proposed.

We believe the collaboration with Energx met the CPUC's definition of a third-party program per OPN 10 of Decision 16-08-019: "the program must be proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator." Conclusion 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 Energx and SoCalGas did not violate the requirement that the program be designed by the third party. In fact, we believe that SoCalGas went above and beyond to adhere as closely as possible to Energx's original program design, while ensuring the best possible outcome such that the program could be successful in implementation.

#### b. Fairness of Negotiations

We believe the contract negotiations were fair and the process did not require the bidder to incur any uncompensated costs. There was no evidence of positive or negative bias towards Energy during contract negotiations. The actual contract negotiation process was straightforward with few items in dispute. From start of negotiations to final signature, negotiations with the contractor lasted approximately 90 days.

## c. Changes to Contract Terms & Conditions

There were no issues with respect to changes to the CPUC's Modifiable Contract Terms and Conditions. The CPUC's Standard Contract Terms and Conditions were also adopted, unchanged.

# d. Conformance with CPUC Policies and Objectives

The following table is a list of items we developed to summarize how the program aligns with CPUC Policies and Objectives. Some information may duplicate other parts of this report.

Table 2.1: Energy Contract Alignment with CPUC Policies and Objectives		
Item	Program	
Changes to any aspects of Terms and Conditions	There were limited changes to the SoCalGas'	
(Ts&Cs) are within guidelines (no changes to CPUC	terms and conditions, primarily around insurance	
Standard, limited changes to Company Ts&Cs and	requirements.	
CPUC Modifiable Contract Ts&Cs)		
Contract is consistent with CPUC incentive guidelines	Program includes deemed measures, has a Direct	
	Install delivery channel at no cost to the	
	customer, and will be delivered through the	
	bidder and possibly additional installers. As such,	
	the customer does not receive a direct payment,	
	but rather receives the installation, labor, and	
	materials for the control measures.	
Contract is consistent with M&V Plan with NMEC	The IP will include an M&V component	
guidelines	specifying the number of projects inspected after	
	installation and to ensure quality workmanship.	
Reasonable number of KPIs	Contract has 8 separate KPIs. We consider this a	
	reasonable number of KPIs.	

Table 2.1: Energy Contract Alignment with CPUC Policies and Objectives			
Item	Program		
KPIs make sense in terms of what they are measuring, the scale applied to them, and the timeframe on which they are monitored	The KPIs make sense in terms of tracking the program's activities and the weightings applied to savings, cost effectiveness, and performance are appropriately a majority of the total score. The KPIs also apply weightings of 10% DAC and HTR, combined, which support the program's aim to deliver 30% of its results to HTR customers and/or in DACs.		
Contract includes appropriate performance issue remedies	Yes. Section 1.2 of Attachment 8 (KPIs) in the contract includes performance remedies for failing to achieve the KPIs.		
Contract clearly addresses Support Services	Yes. The contract includes only Basic Support Services which are described in Attachment 2.		
Innovative aspects of program are retained	Yes. The program's innovative aspect is in the niche technology offered. The program has retained the niche technology.		
If applicable, IDSM components incorporated	Not applicable.		
If applicable, program considerations for HTR customers and DACs are incorporated	The program aims to achieve at least 30 percent participation by HTR and DAC properties/owners.		
Business Enterprise (DBE)/Committed DBE Spend	Energx is not a certified DBE. The implementer has committed to spend 20.7 percent of the total budget on DBE subcontractors.		
Changes proposed by SoCalGas or Contractor were reasonable and fair	Yes, proposed changes from SoCalGas and from contractor were reasonable and fair.		

#### e. Uniformity of Contract Changes

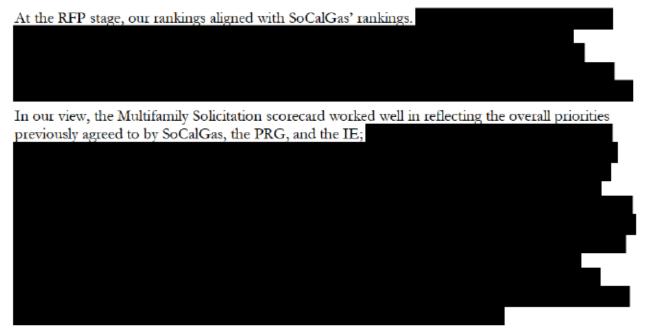
SoCalGas advanced two contractors to contract negotiations to serve the Residential Multifamily Segment. The Company signed a contract with the other implementer (ICF) in September 2020 and submitted its Advice Letter for the program on November 20, 2020. Contract changes were consistent with those adopted for ICF and in the Single Family solicitation (the other solicitation ran in parallel with the Multifamily Solicitation).

#### 4.2. Final Selection

As previously mentioned, we raised concerns regarding the transparency of the process to advance bids from RFA to RFP and RFP to contracting. That said, at the RFA stage, our shortlist generally aligned with the IOU's shortlist, with two exceptions. We scored one bidder significantly lower than SoCalGas and, thus, would not have thought they should advance. For the second, SoCalGas disqualified a scored abstract from advancing to RFP because it was determined to be a "behavioral" program that could conflict with SoCalGas' existing Behavioral program and its future Behavioral Solicitation (despite otherwise having been scored well enough to advance by both SoCalGas and the IE and despite there being no exclusion of Behavioral programs mentioned in the abstract guidelines).

With the abstract for which the IE's scores were substantially lower, we asked that SoCalGas review the Innovation (0 vs. 3.4) and Incentive/Rebate structure (0 vs. 2.4) components as these were the

major contributors to the differences. Related to the decision to disqualify programs that included Behavioral offerings, SoCalGas explained that this was due to the fact that they planned to issue a Behavioral Solicitation at a later date.



#### 4.3. Contract Execution

Table 2.2: Bids Selected for Contract Execution			
Bidder	Years Program		
ICF Resources, LLC	3	Multifamily Energy Alliance	
Ter Resources, Like	3	Program	
Engrav Controls Inc	3	Multi-Family Space and Water	
Energy Controls Inc.	3	Heating Controls	

# 4.4. PRG and IE Feedback to Contracting

SoCalGas presented its selections at the November 1, 2019 PRG meeting.

#### 5. Assessment of Final Contract

# 5.1. Bid Selections Respond to Portfolio Needs

The selection of Energy's Multi-Family Space and Water Heating Controls (MF SAWH) program is consistent with SoCalGas' portfolio needs as identified in its Business Plan, its Solicitation Plan, and its ABAL filings. As discussed in Section 3.2(b), the MF SAWH program will provide energy efficient space and water heating controls to a targeted subset of SoCalGas' Residential customers. The program will operate in a complementary fashion to SoCalGas' other programs serving the multifamily customer segment. According to the IP for SoCalGas' core Residential Energy Efficiency Program (REEP), these components include the Home Energy Efficiency Rebate

Program (HEER), the Multifamily Energy Efficiency Rebate Program (MFEER) and the Energy Efficiency New Homes Program (EENHP).<sup>24</sup> In addition, the core Home Upgrade Program (HUP) uses a whole building strategy to implement comprehensive home retrofit EE measures through the Basic Path, Advanced Path or Multifamily Path.<sup>25</sup> Both the MFEER and HUP programs directly serve the Multifamily Segment. It will also be important to coordinate with SoCalGas' low-income program, the ESA program.

# 5.2. Bid Selections Provide the Best Overall Value to Ratepayers

#### a. Introduction

Assessing best overall value to ratepayers is challenging for IEs because our primary roles, as defined by the CPUC, are to "monitor the entire process from RFA design to contract execution", "serve as a consultant to the PRGs", "provide assessments of the overall third party solicitation process and progress", and "lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs." During the solicitation process, the IEs' roles expanded to include providing IOUs and the PRG advice and feedback on ways to improve the efficiency and effectiveness of the solicitation process.

As such, beyond reporting about the details of selected bids and the process that produced the final contracts, from our perspective, an IE would not evaluate whether the selections were the "best" options available to the IOU. Rather, as indicated by the CPUC, IEs monitor the entire process from RFA design to contract execution, provide assessments of the overall third-party solicitation process, and lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs.

The analysis that follows does not attempt to directly compare the selected contract with other proposals in the bid pool. In our view, if the solicitation process was conducted fairly and consistent with the scorecard and other selection criteria, the resulting programs represent the best from the pool. By extension, they would also provide the best overall value to ratepayers.

Nonetheless, in the interest of providing context for the selected bids, we compare quantitative aspects of the selected program to SoCalGas' existing Residential portfolio to understand whether, if successfully implemented according to plan, the program will improve the portfolio metrics and help enable the Company to meet its goals. We also discuss the program's compensation structure, how the program aligns with or diverges from reasonable EE planning principles, and whether the program is consistent with CPUC policies and objectives.

#### Brief Program Description

Energy's MF SAWH program fills a niche in SoCalGas' Residential portfolio in that it targets a specific application—controls on combined water and space heating systems in multifamily buildings. The specific system targeted, the Raydronics System, was commonly installed in Southern California from 1977 to 1987. This program offers multifamily buildings equipped with the

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<sup>&</sup>lt;sup>24</sup> Southern California Gas Company Residential Energy Efficiency Program (Program ID 3702) Implementation Plan, updated October 20, 2020.

<sup>&</sup>lt;sup>25</sup> Southern California Gas Company Home Upgrade Program (Program ID 3705) Implementation Plan, updated June 5, 2019.

<sup>26</sup> D.18-01-004, pages 37-38.

combined space and water heating boilers with two controllers: a dual set point controller and a VFD pump control, both on the central water heater, delivered via direct installation at no cost to the building owner. The dual set point controller lowers the storage tank temperature during the summer season and on nights when space heating is not required and turns off the pump during the summer. The technology was also the subject of a 2015 evaluation by the SoCalGas Emerging Technologies Program.<sup>27</sup> The data from this study was incorporated into a workpaper.<sup>28</sup> Because the technology is considered an "emerging technology" according to the workpaper, it receives a net-to-gross ratio of 0.85.<sup>29</sup> As shown in Table 3.1, the overall program net-to-gross is lower than 0.85, however, because other measures have lower NTGs.

The program includes modest goals, with an aim to serve 257 buildings over the three-year program period. Based on suggestions from SoCalGas during contract negotiations, Energy will also look for opportunities in the common areas of those same multifamily buildings to install pipe insulation and low-flow faucet aerators. There will be no measures installed in tenant spaces.

The measures offered by this contract are approved via workpaper

## c. Quantitative Program Information

The following table shows a summary of the quantitative goal information extracted from the Multi-Family Space and Water Heating program contract. We have also provided for comparison ex-ante metric information from a combination of Appendix D of SoCalGas' 2019 Annual Report and 2019 end-of-year claims from CEDARS. <sup>30</sup> The Residential Sector information does not include results or budget for the Company's Behavioral program or its low-income Energy Savings Assistance program, as these two programs represent almost 90 percent of the sector's therms savings and are not directly comparable to the programs selected in this solicitation. <sup>31</sup>

Table 3.1: Energx's MF SAWH Program Contract Attributes			
Item	Energx MF SAWH Program <sup>32</sup>	SoCalGas Residential Sector	
Summary Data			
Average Single-Year Budget		\$28,045,341	
IDSM Budget	N/A	N/A	
Gas Savings (Net first-year therms)	69,741	1,896,085	
Gas Savings (Net lifecycle therms)	349,608	18,699,513	

<sup>27 &</sup>quot;Combination Boiler Reset Controller Field Evaluation - Final Report", White, B. and M. Esser (NegaWatt Consulting, conducted for the Southern California Gas Company Emerging Technologies Program, Project ID ET12SCG0004, 2015.

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<sup>28 &</sup>quot;Central Boiler Dual Setpoint Temperature Controller, Multifamily", SWWH024-01, June 6, 2019 (latest revision).

<sup>29 &</sup>quot;Central Boiler Dual Setpoint Temperature Controller, Multifamily", page 16.

<sup>30</sup> The Annual Report is accessible from: https://www.socalgas.com/regulatory/efficiency and the 2019 claims are accessible from https://cedars.sound-data.com/reports/summary/.

<sup>&</sup>lt;sup>31</sup> SoCalGas' Behavioral program primarily consists of Home Energy Reports (HERs). The ESA program's TRC is not reported in the Residential Sector's overall TRC.

<sup>&</sup>lt;sup>32</sup> We used an average program single year to match with the single year of SoCalGas' Residential Sector results (excludes Behavioral program and ESA). We took the total goals and budgets and divided by three.

Table 3.1: Energx's MF SAWH Program Contract Attributes		
Item	Energx MF SAWH Program <sup>32</sup>	SoCalGas Residential Sector
Electric Savings (Net first-year kWh)	277,046	6,325,889
Net-to-Gross (therms)	0.70	0.64
NPV of Net Lifecycle Benefits <sup>33</sup>	\$23,487	-\$16,756,333
Metrics		
Total Resource Cost (TRC) Test	1.06	0.56
Program Administrator Cost (PAC) Test	1.06	0.79
Lifecycle Acquisition Cost/therm (PAC levelized cost)34	\$0.84	\$0.77
Lifecycle Acquisition Cost/kWh (PAC levelized cost)35	\$0.08	Not Available
Simple Acquisition Cost (\$/therm) <sup>36</sup>	\$6.40	\$14.79
Simple Acquisition Cost (\$/lifecycle mmBTU) <sup>37</sup>	\$11.24	\$13.50
DACs (% of savings from)38	30%	0.99%
HTR Customers (% of savings from)	30%	0.98%

#### d. Alignment with EE Planning Principles

The MF SAWH program aligns with California energy policies in helping achieve energy savings and other benefits in SoCalGas' Residential Sector. Specifically, the program aligns with Senate Bill 350's pursuit of doubling statewide EE savings by 2030.<sup>39</sup> The MF SAWH program offers direct install measures at no cost to the property owners/managers. The program plans to serve approximately 257 buildings, with approximately \$4,200 in incentives per project.

As shown in Table 3.1, the selected program, which is modestly cost effective from a TRC perspective, will nonetheless help increase the cost effectiveness of the non-behavioral portion of the SoCalGas' Residential Sector portfolio. The program's primary innovation is its use of a niche emerging technology that is intended to increase the efficiency of combined domestic hot water and space heating systems. In addition, the program has a fairly aggressive target of 30 percent of its savings coming from HTR customers and buildings in DACs.

The MF SAWH program will contribute to the sector's achievements but it is unclear whether the program has the potential to go beyond its current goals. The program's energy savings are modest,

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<sup>33</sup> Net supply and other costs avoided minus participant and program costs.

<sup>34</sup> PAC levelized cost is calculated using total Program Administrator Costs from the CET, weighting the portion of net benefits attributable to the fuel (gas or electric), and then dividing by the program's total lifecycle net kWh.

<sup>&</sup>lt;sup>35</sup> PAC levelized cost is calculated using total Program Administrator Costs from the CET, weighting the portion of net benefits attributable to the fuel (gas or electric), and then dividing by the program's total lifecycle net therms.

<sup>36</sup> Simple acquisition cost per lifecycle therm divided the total budget by the program's total lifecycle energy savings.

<sup>&</sup>lt;sup>37</sup> Simple acquisition cost per lifecycle mmBTU provides a better way to show total savings relative to cost since a BTU calculation captures both electric and gas savings.

<sup>38</sup> The Energy program reports percentage of savings from HTR and in DACs while the SoCalGas metrics are based on percentage of participants that are HTR or in DACs.

<sup>39</sup> SB 350 is the Clean Energy and Pollution Reduction Act of 2015.

averaging approximately 69,741 first-year therms annually (209,224 first-year therms over the contract term). Using SoCalGas 2019 results as a guide, the program would contribute approximately four percent to SoCalGas' Residential customer savings (excluding Behavioral and ESA).

The implementer believes that the workpaper savings underestimate the actual savings customers will realize and hopes to update the workpaper with field data reflecting higher savings. If this is successful, the program may be able to increase its per-project savings. The only other way to increase savings would be through more installations; however, the potential market for the specific technology is limited. In a dialogue with CPUC ED staff after the contract was signed, SoCalGas indicated that the vendor does not plan to offer customers alternatives to the technology included in the program.

ED staff requested that SoCalGas check back with them six months after program launch to report on how the program is progressing.

Comparing further to market potential, according to the 2019 Navigant Market Potential Study, 40 the SoCalGas non-low-income program Residential Sector average annual incremental market potential for 2021-2023 is approximately 5.63 million therms, of which about 1.31 million therms are attributable to Residential rebate programs (4.31 million are attributable to single family and multifamily Behavioral, Retrocommissioning and Operations [BROs] programs). Within the Residential Sector, of the 1.31 million therms, 0.93 are attributable to multifamily and 0.38 are attributable to single family rebate programs. The Multi-Family Space and Water Heating Controls program's therm goals equal about seven percent of the Residential multifamily rebate program savings potential.

#### e. Measurement and Verification

The program primarily consists of deemed measures and, therefore, its measurement and verification requirements are limited to confirmation of installations, ensuring that measures are working properly. The program plans to inspect 30% of installations. As described above, Energx believes that the actual savings resulting from the program's measures will be higher than those reported in the approved workpapers. Energx intends to conduct additional data collection, beyond that required for deemed savings measures, with the intention of measuring and validating the additional savings. Energx and SoCalGas may work together to update the workpaper if savings data demonstrates a need to update workpaper values.

#### f. Compensation

The MF SAWH program's compensation structure is 100 percent performance-based. We use "performance-based" to distinguish from "pay-for-performance", a term that per CPUC D.18-01-004 has associated specifically with programs using meter-based savings methodologies (measured and verified savings). Performance-based refers to compensation that is associated with deemed or non-meter-based custom measures in which savings are not verified during the program term. For this program, payments to the contractor for the program are entirely "per widget",

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<sup>&</sup>lt;sup>40</sup> The study documents are available at: https://www.cpuc.ca.gov/General.aspx?id=6442461220, while the interactive web-based analytics are available at: http://acp.analytica.com/acpbeta/shared/#dash/fca42209-b98d-4e83-852f-3d075f99ce9b.

We believe this approach strikes a reasonable balance between utility and the third party's interests in that ratepayers will not pay if the program does not achieve savings. On the other hand, contractor risk is not excessive in that the contractor is likely confident that they can meet established goals and has built sufficient margin into their pricing to ensure that they are reasonably compensated for work completed.

Table 3.2 shows how contractor compensation amounts change based on achievement of different levels of savings. We provide the table to illustrate how the compensation approach could work in practice, in terms of what payments the implementer would receive and how this would change the therms simple acquisition cost. The compensation structure is straightforward and changes to savings levels create linear changes to levels of compensation.

For simplicity, we assumed five different scenarios, ranging from achievement of 110 percent of savings goals to achieving 50 percent of savings goals.



As shown in the table, reductions in savings achievements have no effect on \$/therm or \$/lifecycle mmBTU, because payments are entirely tied to activities that produce energy savings. We have assumed that, to achieve above the goal, SoCalGas and the contractor will need to amend the contract to increase the budget because the compensation structure is set on a payment per widget basis. In other words, the contractor will not install a number of measures above the amount to which they committed without a budget increase. Therefore, even with achievements above goal, the acquisition costs per them and mmBTU stay the same.

#### g. Supports Portfolio and Applicable Sector Metrics Achievements

The Program's Key Performance Indicators (KPIs) align well with SoCalGas' portfolio and sector metrics. Table 3.3 below shows the KPIs from the contract and how each aligns with the Company's Portfolio and Residential Sector (Multifamily Segment) metrics. The metrics are referenced on page 16 of Southern California Gas Company's "Request for Approval of Annual Energy Efficiency Budget Filing for Program Year 2020" (Annual Budget Advice Letter U904-G/5510-E).

Table 3.3: Contract KPIs and SoCalGas Metrics		
Energx MF SAWH Program KPI	Portfolio Metric	Multifamily Segment Metric
Performance: First Year Energy Savings	Yes	Yes
Performance: Lifecycle Energy Savings Delivered	No	Yes

Table 3.3: Contract KPIs and SoCalGas Metrics		
Energx MF SAWH Program KPI	Portfolio Metric	Multifamily Segment Metric
Cost Effectiveness Alignment: TRC Calculation	Yes	Yes
Performance: Levelized PAC Cost	Yes	Yes
Performance: HTR/DAC Participation	Yes <sup>41</sup>	Yes
Schedule Adherence: Goal/Expenditure Alignment	Yes	Yes
Implementer Administrative Performance: Goals/ Expenditure Alignment	No	No
Service Delivery: Assessment of reporting/data quality,		
timeliness, invoicing issues, meeting expectations	No	No
Supply Chain Responsibility: DBE Spend	No	No

The KPIs are appropriate to the program and help ensure that the program's goals align with the Company's overall EE objectives.

# 6. Overall Assessment of Solicitation

Other than the issues discussed in Section 2.2, SoCalGas conducted the Residential Multifamily Solicitation fairly, transparently and without bias.

SoCalGas actively sought to work with the implementer during contract negotiations to help position the program for success. We view these considerations as very positive outcomes of this solicitation. Energy's Multi-Family Space and Water Heating program will result in savings for SoCalGas multifamily customers and will enable SoCalGas and the state to achieve energy-use reduction goals and reduce greenhouse gases. Lessons learned from this solicitation have helped inform other solicitations SoCalGas is conducting and plans to conduct in the future.

# 7. Implementation Plan Assessment

During the time period reflected in this Semi-Annual Report, SoCalGas filed the Advice Letter for ICF Resources' Multifamily Energy Alliance Program. Since the Advice Letter for the program has not yet been approved, the third party has not yet drafted the IP. We will review the IP for consistency with the contract once it becomes available. Also, during the time period of this Report, SoCalGas worked with Energx Controls, Inc. to develop the Multi-Family Space and Water Heating Controls program's IP, hold the required stakeholder workshop to present the draft IP and receive feedback, and finalize the Plan for posting to CEDARS. <sup>42</sup> We reviewed the draft IP for consistency with the contract and found that the document was not fully consistent with the contract or the IP

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<sup>&</sup>lt;sup>41</sup> SoCalGas' portfolio metric for DACs and HTRs relates to total savings in DACs and for HTRs as opposed to the Multifamily segment metric which is based on the percentage of participating customers that are in DACs or are considered HTR. We believe the contract aligns with both the portfolio and segment metrics.

<sup>42 &</sup>quot;Decision Addressing Energy Efficiency Business Plans," D. 18-05-041, California Public Utilities Commission, Conclusions of Law 1, p. 169.

template. SoCalGas held the public workshop on February 17, 2021. Participants did not ask any questions.

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

## Local Small and Medium Commercial Solicitation

Reporting Period: October 2020 through March 2021

Prepared by: Don Arambula Consulting



Disclaimer: This report includes highly sensitive and confidential information.

# Local Small and Medium Commercial Program

Note: The Final IE Report on the Local Small and Medium Commercial solicitation can be found in the Energy Efficiency Independent Evaluators' Semi-Annual Report, dated December 2020. The following is a summary by the IE on the draft Implementation Plans associated with the contracted programs selected as result of this solicitation.

## 7. Implementation Plan Assessment

The IE reviewed the draft Implementation Plans (IPs) corresponding to the approved third-party Program Implementer Contracts listed below. The IE review was limited to confirming whether the draft IP, produced by the Program Implementer, was consistent with the corresponding approved Contract. The IE review did not address whether the draft IPs were compliant with the CPUC's IP requirements.<sup>1</sup>

Table 2.1: Implementation Plan Timeline					
Program Implementer	Program Name	Contract Approval Date	Public Stakeholder Meeting Date	IP Posting Date	IP Posted within 60 days of Contract Approval?
	Small and Medium				
Franklin Energy	Commercial Energy	0 /0 / /0000	44 /4 6 /0000	40 (00 (0000	
Solution	Efficiency Program	9/24/2020	11/16/2020	12/23/2020	yes
ICF Resources,					
LLC	C-BEST Program	12/18/2020	2/5/2021	2/26/2021	yes

#### 7.1. Results of the Draft IP Review

The following identifies areas where the draft IP did not conform to the approved Contract. The IE did not receive a final IP from SoCalGas, prior to the posting date, to confirm whether the IE comments were considered. To improve on the IP review process, the IE recommends that the IOU create a timely opportunity for the IE to review the final IP prior to the IP upload so the IE can confirm actions were taken in response to the IE recommendations and any remaining issues can be addressed in a timely manner.

## Franklin Energy Solutions (FES) - Small and Medium Commercial Energy Efficiency Program

- Metrics The program metrics presented in the IP should reflect those presented in the Contract.
- Workforce Education and Training (WE&T) The WE&T discussion should directly address the Contract's commitment to the CPUC workforce policies.

<sup>&</sup>lt;sup>1</sup> Implementation Plan Template, Version 2.0, dated January 2020.

- Program Logic Model (PLM) The PLM should include a supporting narrative to clearly communicate the program's design theory presented in the Contract.
- Customer Assessments The IP should include a summary of planned customer field assessment proposed in the Contract.

### ICF Resources, LLC (ICF) - C-BEST Program

- Innovation The innovation section does not directly reflect the innovation described in ICF's program proposal. The IE notes that the Contract does not directly describe the innovative aspects of the program. Future contracts should clearly identify the program's innovative attributes.
- Program Manual The Program Manual appears to lack operational detail. The implementer should review past Program Manuals of similar programs presented in CEDARS.
- Disadvantaged Worker (DAW) Plan The Program proposes a direct installation strategy yet the IP states that the DAW policy is not applicable because of the nature of the program.

## 7.2. Public Workshop Overview Summary

SoCalGas held public workshops for these two small commercial sector programs on the dates listed on Table 2.1. SoCalGas allowed FES and ICF to give detailed presentations of their respective programs. There was an opportunity for Q&A in both sessions by workshop attendees. Neither session received any questions.

The IP workshop is the only reveal of third-party programs to the public if an advice letter is not required.

The IOU should invite other contracted third-party program implementers that may be offering programs to the same customer groups. This would create greater awareness, among program implementers, of the different programs being offered in the IOU's program portfolio. Also, this may enable other program implementers to refer potential customers to other programs within the portfolio.

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

# Local Small-Medium Public Program Solicitation

Reporting Period: October 2020 through March 2021

Prepared by: Apex Analytics



Disclaimer: This report includes highly sensitive and confidential information.

## Local Small and Medium Public Program

Note: The Final Report was included in the December 2020 Semi-annual report. Since that final report was released, SoCalGas received a disposition from the CPUC approving a Tier-2 advice letter (December 4, 2020) and the implementation plan was completed.

## 7. Implementation Plan Assessment

On January 26, 2021, SoCalGas and Synergy presented the IP for the public buildings program in a public webinar. The IE reviewed the draft IP, provided feedback and SoCalGas uploaded the IP on February 2, 2021. All information contained in the final IP was consistent with the final contract.

The IE reviewed the draft IP for Synergy and provided feedback. Initially, the IE noted that Synergy's IP had less detail than the contract. The IP had little detail in the Program Description, Program Delivery, Customer Services, Program Design, and Best Practices and lacked some specific details requested by the IP (e.g., it did not define eligibility or size thresholds, lacked Workforce and Training sections, and lacked measure details). Synergy updated the IP with feedback from the IE and the IP met the requirements for the IP template (v2.0 guidance).

As required, SoCalGas and Synergy conducted a public webinar. SoCalGas shared the webinar schedule and invite, requested input on draft IPs and updated the IPs with IE feedback. Fifteen people attended the webinar, which were mostly SoCalGas, Synergy and IE staff. There were approximately three public participants of unknown affiliation.

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

# Statewide Point-of-Sale Food Service Program

Reporting Period: October 2020 through March 2021

Prepared by: MCR Corporate Services



Disclaimer: This report includes highly sensitive and confidential information.

# Statewide Point-Of-Sale Food Service Program

### 1. Solicitation Overview

#### 1.1. Overview

SoCalGas is the statewide lead PA responsible for the Statewide Point-of-Sale (POS) Food Service program. 44 SoCalGas sought proposals from third-party implementers to propose programs to be implemented on a statewide basis.

The Statewide POS Food Service solicitation is one of two simultaneous statewide solicitations, the other being the Statewide Midstream Water Heating program, which is reported separately. Many of the activities described in these two reports are the same, in terms of schedule and effort, for both solicitations. For example, both statewide solicitations share a common schedule, which results in common events such as solicitation release, bidder web seminars, due dates, etc.

### a. Scope

SoCalGas manages a large portfolio of customer-focused EE programs and utilizes third-party program implementers to serve residential and nonresidential customers within its service territory. The POS Food Service solicitation provided an opportunity for third parties to propose, design, implement, and deliver new, innovative, and cost-efficient programs to help SoCalGas achieve its portfolio goals.<sup>45</sup>

SoCalGas has categorized the non-residential Food Service segment as part of the IOUs' Commercial sector<sup>46</sup> and is primarily comprised of office buildings, stores, restaurants, warehouses, schools, hospitals, public buildings and facilities, and others throughout the IOU service territories. This program is designed to effectively promote EE at the midstream vendor level. The term "Vendor," which includes both cash and carry and online organizations, is classified as the following:

- Food Service Equipment Manufacturers
- Buying Groups
- Wholesale Distributors
- Dealers
- Build Design Consultants/Contractors
- Operators
- Service & Maintenance Companies
- Franchisors
- Corporate Owned Business<sup>47</sup>

### b. Objectives

The purpose of this solicitation is to invite the EE industry to collaborate with the IOUs to offer an innovative, resource-based EE program(s) to public and non-residential end-use customers

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<sup>44</sup> In Decision (D) 18-05-041, the CPUC assigned Program Administrators to lead specific statewide programs.

<sup>&</sup>lt;sup>45</sup> RFP 91622 – Statewide Point-of-Sale Food Service Request for Proposal, Southern California Gas Company, (SoCalGas RFP) January 29, 2020, at p. 2.

<sup>46</sup> SoCalGas Business Plan, at p. 26.

<sup>47</sup> SoCalGas RFP, at p. 11.

throughout California. This solicitation is based on the vision and goals presented in the approved SoCalGas Business Plan<sup>48</sup>, which seeks to increase the sales of high-efficiency commercial food service (CFS) equipment by engaging midstream market actors to stock and actively market high-efficiency equipment.<sup>49</sup>

This solicitation encourages the exploration of all relevant midstream delivery channels to produce a cost-effective program to maximize natural gas, electric, and water efficiency savings for public and non-residential end-use business customers. Although traditional programs have proven to be successful, the legislative and regulatory mandate of doubling the EE target requires more aggressive and comprehensive efficiency upgrades.<sup>50</sup>

Proposals may address all, or a subset of, Food Service customers throughout the IOUs' service territories but should include the flexibility to target specific customers based on criteria such as specific climate zones, customer site-specific energy savings potential, distribution system needs, HTR status, and members of DACs.<sup>51</sup> Bidders should consider the segment challenges/barriers identified in Table 1.1 in their submissions.

Table 1.1: Program Characteristics			
Food Service Segment Energy Efficiency Barriers	Documentation of Barriers		
Ability to Influence Stocking	Stocking and selling decisions are typically based on what has sold and		
and Selling Practices	what is expected to sell. Changing stocking practices often involves risk.		
Extensive Market Outreach and	Unlike downstream programs that typically have a single transaction		
Engagement	with many customers, midstream programs have a high number of		
	market actors. Relationships with midstream allies are more extensive		
	and ongoing and require a deeper understanding of the trade ally's		
	business requirements and perspective.		
Timely and Reliable Incentive	Most trade allies operate on a net 60 or 90-day credit term. Reducing		
Payments	accounts receivable aging is a significant financial motivator for market		
	actors.		
Ease of Application Processing	If the application tracking and submittal processes are too difficult,		
	distributors and dealers refuse to participate. Fully automated systems		
	with interactive dashboards and simplified application processing,		
	payment tracking and streamlined reporting (including participating		
	customer data) are necessary for program participation.		
Program Stability	Changes to program requirements must be communicated as far in		
	advance as possible. Having trade allies make stocking and purchasing		
	decisions influenced by the presence of a program that is then abruptly		
	changed or discontinued can permanently damage a relationship.		
	Implementers benefit from the momentum and scale of these programs,		
	but they require time and notice to change.		

### 1.2. Timing

Table 1.2 details the actual milestones for the Statewide POS Food Service solicitation.

<sup>48</sup> SoCalGas Business Plan, at p. 26.

<sup>49</sup> SoCalGas RFP, at p. 10.

<sup>50</sup> Id., at p. 11.

<sup>51</sup> Id., at p. 12.

Table 1.2: Key Milestones			
Milestones	Completion Date		
RFA Stage			
Solicitation Launch	August 12, 2019		
Bidders' Conference	August 19 and 21, 2019		
Offer Submittal Deadline	September 27, 2019		
RFA Shortlist to PRG	January 7, 2020		
Shortlisting Notification	January 23, 2020		
RFP Stage			
Solicitation Launch	January 29, 2020		
Bidders' Conference	February 10, 2020		
Offer Submittal Q&A Period	Round 1 through February 14, 2020		
	Round 2 through February 26, 2020		
Offer Submittal Deadline	March 18, 2020		
RFP Shortlist to PRG	May 5, 2020		
Shortlisting Notification	May 15, 2020		
Contracting Stage			
Contracting and Negotiations Period	June 17-October 30, 2020		
Contracts Presented to PRG	October 6, 2020		
Contract Execution	November 23, 2020		
Advice Letter Filed	December 15, 2020		
Advice Letter Approved	January 14, 2021		

## 1.3. Key Observations

Table 1.3 represents a collection of key IE issues, observations, and outcomes, where applicable, from the assigned IE for the Statewide POS Food Service solicitation.

Table 1.3: Key Issues and Observations			
Торіс	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)

	Table 1.3: Key Issues and Observations			
Торіс	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)	
Solicitation Timeline	The PRG is concerned that SoCalGas is not taking control of the solicitation and, instead, letting the PRG establish solicitation milestones. This has the effect of allowing important dates to slide, which puts SoCalGas in danger of missing its savings goal deadlines.	The IE recommended that SoCalGas clearly define its solicitation timeline and immediately inform the PRG should any changes become necessary. In this way, PRG members can plan accordingly in reaction to requests from SoCalGas to review solicitation documents.	SoCalGas accepted the IE's recommendation and was clearer and more realistic about defining its solicitation timeline and keeping to it. It also began publishing its timelines and any variations from it in the EE PRG Meeting materials.	

## 2. RFA Bidder Response and Selections

The SoCalGas' Statewide POS Food Service RFA activities were reported in the May 2019 through October 2019 Semi-Annual Report.

### 3. RFP Bidder Response and Selections

The SoCalGas' Statewide POS Food Service RFP activities were reported in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

## 4. Contracting Process

### 4.1. Contract Negotiations

Negotiations for SoCalGas' Statewide POS Food Service contract with Energy Solutions for its California Foodservice Instant Rebates Program were reported in the April 2020 through September 2020 Semi-Annual Report.

### 4.2. Contract Execution

SoCalGas' contract with Energy Solutions for its *California Foodservice Instant Rebates Program* was executed on November 23, 2020.

An amendment was executed on December 16, 2020. The amendment restated the date by which the CPUC was to issue its written approval of the contract to August 1, 2021.

A second amendment was executed January 22, 2021 that made two changes to the contract: 1) Changed the effective date of the agreement to January 14, 2021 and 2) Changed the assumed program launch date in Table 2 – Program Goals to April 1, 2021.

A third amendment was executed March 1, 2021 that changed the agreement number from 5660060605 in the original agreement to 5660061327.

## 4.3. PRG and IE Feedback to Contracting

PRG and IE feedback to contracting was included in the April 2020 through September 2020 Semi-Annual Report.

### 5. Assessment of Final Contract

Bid selections responding to portfolio needs were included in the April 2020 through September 2020 Semi-Annual Report.

### Overall Assessment of Solicitation

The April 2020 through September 2020 Semi-Annual Report provided an overall assessment of SoCalGas' Statewide POS Food Service solicitation.

### 7. Implementation Plan Assessment

The IE reviewed the *California Foodservice Instant Rebates Program* Implementation Plan (Plan) and its constituent manuals and supporting documents and provided comments to SoCalGas. The IE's comments were limited to improving clarity and improving the readability of tables. The IE found that the Plan followed the required template (Ver 2.0, January 2020, Appendix A) and that the Plan included all the required Program information (Program Overview, Budget and Savings, Narrative, and Supporting Documents and Program Manuals) and, most importantly, did not vary from the executed contract. SoCalGas subsequently posted the draft Plan to the CAEECC website on March 3, 2021.

As required by Section 6.5.5 of the PRG Solicitation Guidelines (Ver 1, August 2020), SoCalGas hosted the presentation of the draft Plan to the public on March 8, 2021, via Microsoft Teams. The presentation was made by representatives of program implementer Energy Solutions. The public

webinar, which lasted roughly one-half hour, including about five minutes for questions from attendees. The presentation followed the Plan and was presented clearly and concisely.

Webinar attendance peaked at 33 persons. Table 7.1 below enumerates the public webinar attendees by organization.

Table 7.1: Stakeholder Webinar Attendees		
Organization	Count	
Consultant (Other than program implementer)	4	
Program Implementer (Energy Solutions)	5	
Independent Evaluator	2	
SDG&E / SCE / SoCalGas	20	
State of California (Non-PRG)	1	
Unknown	1	
Total	33	

SoCalGas posted the final Plan to CEDARS on March 15, 2021, once the IE had reviewed the final Plan and its appendices to determine which comments/recommendations Energy Solutions had accepted.

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

# Statewide Midstream Water Heating Program

Reporting Period: October 2020 through March 2021

Prepared by: MCR Corporate Services



Disclaimer: This report includes highly sensitive and confidential information.

# Statewide Midstream Water Heating Program

### 1. Solicitation Overview

### 1.1. Overview

SoCalGas is the statewide lead program administrator responsible for the Statewide Midstream Water Heating program.<sup>52</sup> SoCalGas sought proposals from third-party implementers to propose programs to be implemented on a statewide basis.

The Statewide Midstream Water Heating solicitation is one of two simultaneous statewide solicitations, the other being Statewide POS Sale Food Service program, which is reported separately. Many of the activities described in these two reports are the same, in terms of schedule and effort, for both solicitations. For example, both statewide solicitations share a common schedule, which results in common events such as solicitation release, bidder web seminars, due dates, etc.

### a. Scope

SoCalGas manages a large portfolio of customer-focused EE programs and utilizes third-party program implementers to serve residential and nonresidential customers within its service territory. The Statewide Midstream Water Heating solicitation provides an opportunity for third parties to propose, design, implement, and deliver new, innovative, and cost-efficient programs to help SoCalGas achieve its portfolio goals.<sup>53</sup>

The focus of this solicitation is to encourage higher-efficiency water heating products into the non-residential market by leveraging the distributor group to target small, medium, and large non-residential, public, and multi-family customers throughout the IOUs' service territories. As this program is designed to effectively promote EE at the midstream distributor level, the term "Distributor," which includes both cash and carry and online organizations, can be defined to include equipment manufacturers, wholesale distributors and dealers. Market actors such as, but not limited to, buying groups, build design consultants/contractors, operators, and service and maintenance companies can provide market influence in procurement of higher-efficiency water heating equipment.<sup>54</sup>

#### b. Objectives

The purpose of this solicitation is to invite the EE industry to collaborate with the IOUs to offer an innovative, resource-based EE program(s) to non-residential customers<sup>55</sup> throughout the four IOU service territories.

This solicitation is based on the vision and goals presented in the approved SoCalGas Business Plan, <sup>56</sup> which seeks to increase the sale of higher-efficiency water heaters into the non-residential market by leveraging the distributor and contractor communities.

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In Decision 18-05-041, the CPUC assigned Program Administrators to lead specific statewide programs.
 REP 101454 - Statewide Midstream Water Heating Request for Proposal Southern California Gas Compa

<sup>53</sup> RFP 101454 – Statewide Midstream Water Heating Request for Proposal, Southern California Gas Company, (SoCalGas RFP) January 29, 2020, at p. 2.

<sup>54</sup> Id., at p. 11.

<sup>&</sup>lt;sup>55</sup> For the purpose of this solicitation, the term "customer" refers to, but is not limited to, an end-use utility customer, contractor or any other entity positioned between the end-use customer and the "Distributor." <sup>56</sup> SoCalGas Business Plan, at p. 27.

This solicitation encourages the exploration of all relevant midstream delivery channels to produce a cost-effective program to maximize natural gas, electric, and water efficiency savings for small, medium, and large non-residential, public, and multi-family common area water heating at a commercial rate. Although traditional programs have proven to be successful, the legislative and regulatory mandate of doubling the EE target requires more aggressive and comprehensive efficiency upgrades. Multi-family common area water heating equipment is also acceptable within this solicitation.<sup>57</sup>

Proposals may address all, or a subset of, Midstream Water Heating distributors throughout the IOUs' service territories but should include the flexibility to target specific distributors based on criteria such as specific climate zones HTR status, and members of DACs. Bidders should consider the segment challenges/barriers identified in Table 1.1 in their submissions.

Table 1.1: Program Characteristics			
Midstream Water Heating Segment Energy Efficiency Barriers	Documentation of Barriers		
Ability to Influence Stocking and Selling Practices	Stocking and selling decisions are typically based on what has sold and what is expected to sell. Changing stocking practices often involve risk.		
Extensive Market Outreach and Engagement	Unlike downstream programs that typically have a single transaction with a large number of customers, midstream programs have a higher number of transactions with a lower number of market actors. Relationships with midstream trade allies are more extensive and ongoing and require a deeper understanding of the trade ally's business requirements and perspective.		
Timely and Reliable Incentive Payments	Most trade allies operate on a net 60- or 90-day credit term.  Reducing accounts receivable aging is a significant financial motivator for market actors.		
Ease of Application Processing	If the application tracking and submittal processes are too difficult, distributors and vendors refuse to participate.		
Program Stability	Changes to program requirements must be communicated as far in advance as possible. Having trade allies make stocking and purchasing decisions influenced by the presence of a program that is then abruptly changed or discontinued can permanently damage a relationship. Implementers benefit from the momentum and scale of these programs, but they require time and notice to change.		

### 1.2. Timing

Table 1.2 details the actual milestones for the Statewide Midstream Water Heating solicitation.

Table 1.2: Key Milestones			
Milestones Completion Date			
RFA Stage			
Solicitation Launch August 12, 2019			

<sup>57</sup> SoCalGas RFP, at p. 11.

Table 1.2: Key Milestones		
Milestones	Completion Date	
Bidders' Conference	August 19 and 21, 2019	
Offer Submittal Deadline	September 27, 2019	
RFA Shortlist to PRG	January 7, 2020	
Shortlisting Notification	January 23, 2020	
RFP Stage		
Solicitation Launch	January 29, 2020	
Bidders' Conference	February 10, 2020	
Offer Submittal Q&A Period	Round 1 through February 14, 2020	
Offer Submittal Deadline	Round 2 through February 26, 2020	
RFP Shortlist to PRG	March 18, 2020	
Shortlisting Notification	May 5, 2020	
Contracting Stage		
Contracting and Negotiations Period	June 18–October 30, 2020	
Contracts Presented to PRG	October 6, 2020	
Contract Execution	November 20, 2020	
Advice Letter Filed	December 4, 2020	
Advice Letter Approved	March 18, 2021	

## 1.3. Key Observations

Table 1.2 represents a collection of key IE issues, observations, and outcomes, where applicable, from the assigned IE for the Statewide Midstream Water Heating solicitation.

Table 1.2: Key Issues and Observations			
Торіс	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
CET Training	Based on the bidders' responses to the survey about SoCalGas' CET' Training, the amount of bidder experience and knowledge necessary to successfully and effectively perform a CET run is very high. Some IOUs are now offering CET training to bidders, but some bidders are not at the point where they are confident that they can create the input files necessary for a successful CET run.	Since each IOU requires all RFP respondents to furnish CET inputs and outputs and the operation of the CET is uniform across the state, CET training should be conducted by a single entity on a statewide basis, rather than be the responsibility of the individual IOUs. Statewide training would be more efficient and more consistent, and economies of scale would allow for different levels of training (basic, intermediate, advanced, etc.).	SoCalGas initially agreed to consider this recommendation. Ultimately, neither SoCalGas nor any other California IOU has initiated the recommended statewide training.



## 2. RFA Bidder Response and Selections

The SoCalGas' Statewide Midstream Water Heating RFA activities were reported in the May 2019 through October 2019 Semi-Annual Report.

## 3. RFP Bidder Response and Selections

The SoCalGas' Statewide Midstream Water Heating RFP activities were reported in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

## 4. Contracting Process

## 4.1. Contract Negotiations

Negotiations for SoCalGas' Statewide Midstream Water Heating contract with DNV GL for its Statewide Midstream Water Heating Program were reported in the April 2020 through September 2020 Semi-Annual Report.

#### 4.2. Contract Execution

SoCalGas' contract with DNV GL for its *Statewide Midstream Water Heating Program* was executed on November 20, 2020.

An amendment to the contract was executed on December 16, 2020. The amendment restated the date by which the CPUC was to issue its written approval of the contract to August 1, 2021.

On March 19, 2021 the implementer informed SoCalGas that they had completed a corporate name change to "DNV" (dropping the "GL") with no change in legal entities. The name change was reflected in a second contract amendment that was executed March 26, 2021. Besides the name change, the second amendment included two other changes to the contract: 1) Changed the effective date of the agreement to March 18, 2021 and 2) Changed the assumed program launch date in Table 1 – Program Goals to May 1, 2021.

### 4.3. PRG and IE Feedback to Contracting

SoCalGas filed its Advice Letter for the Statewide Midstream Water Heating Program on December 4, 2020. On December 24, 2020, the Public Advocates Office (Cal Advocates) at the CPUC filed a protest of SoCalGas' Advice Letter. On January 4, 2021, SoCalGas, DNV, and the IE submitted their responses to Cal Advocates' protest. In reply, Cal Advocates delivered on January 13, 2021 a data request to SoCalGas that asked for several items, such as additional information, explanations of actions taken, and records of communications regarding the development of a heat pump water heater workpaper and measure mix quantities.

On March 18, 2021, CPUC's ED approved SoCalGas' December 4, 2020 Advice Letter for the Statewide Midstream Water Heating Program.

### Assessment of Final Contract

Assessment of the final contract was reported in the April 2020 through September 2020 Semi-Annual Report.

### 6. Overall Assessment of Solicitation

The April 2020 through September 2020 Semi-Annual Report provided an overall assessment of SoCalGas' Statewide Midstream Water Heating solicitation.

### 7. Implementation Plan Assessment

The IE reviewed DNV's Statewide Midstream Water Heating Program Implementation Plan (Plan) and its constituent manuals and supporting documents and provided comments to SoCalGas. The IE's comments were primarily to request additional detail in terms of timing and responsibilities and learn why there had been some changes in the program's contracted measure mix. Regarding the changes in measures, DNV informed the IE that the workpapers supporting the measures in the contract were based on a faulty version of the Water Heating Calculator. Following the corrections to the Water Heating Calculator, DNV updated the measure list to match a new workpaper.

The IE found that the Plan followed the required template (Ver 2.0, January 2020, Appendix A) and that the Plan included all the required Program information (Program Overview, Budget and Savings, Narrative, and Supporting Documents and Program Manuals) and, most importantly, did not vary from the executed contract (except for changes to some measures, as noted above). SoCalGas subsequently posted the draft Plan to the CAEECC website on April 5, 2021.

As required by Section 6.5.5 of the PRG Solicitation Guidelines (Ver 1, August 2020), SoCalGas

hosted the presentation of the draft Plan to the public on April 12, 2021, via Microsoft Teams. The presentation was made by representatives of program implementer DNV. The public webinar, which lasted one hour, including about 20 minutes for questions from attendees. The presentation followed the Plan and was presented clearly and concisely.

Webinar attendance peaked at 40 persons. Table 7.1 below enumerates the public webinar attendees by organization.

Table 7.1: Stakeholder Webinar Attendees		
Organization	Count	
Cal Advocates	2	
CCA	3	
Consultant (Other than program implementer)	5	
Independent Evaluator	3	
PG&E / SCE / SoCalGas / SDG&E	17	
Program Implementer (DNV)	7	
Unknown	3	
Total	40	

SoCalGas posted the final Plan to the California Energy Data and Reporting System on April 19, 2021, once the IE had reviewed the final Plan and its appendices to determine which comments/recommendations DNV had accepted.

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

# Statewide Gas Emerging Technologies Solicitation

Reporting Period: October 2020 through March 2021

Prepared by: Don Arambula Consulting



Disclaimer: This report includes highly sensitive and confidential information.

## Statewide Gas Emerging Technologies Program

### 1. Solicitation Overview

This Report on the Statewide Gas Emerging Technologies (GET) program solicitation covers the period from October 2020 through March 2021. As a result, much of the Report addresses the RFP stage of the SoCalGas program solicitation. Prior solicitation activity is addressed in the April 2020 and September 2020 Semi-Annual Reports.<sup>58</sup>

### 1.1. Overview

The Statewide GET Program is a cross-cutting, non-resource program designed to help California IOU-funded EE programs meet the state's EE needs by identifying emerging technologies that can deliver cost-effective energy savings, ensuring that program administrators and program implementers receive actionable market information to inform program delivery, as well as helping technology manufacturers understand what measures are needed for California EE program portfolios.

### a. Scope

SoCalGas, on behalf of PG&E, SDG&E, and itself, sought program proposals from entities to propose, design, implement, and deliver innovative approaches addressing GET's vision and needs as further detailed in the natural gas IOUs' Energy Efficiency Business Plans (Business Plans).<sup>59</sup>

### b. Objectives

The GET program solicitation seeks programs with innovative design approaches, cost-efficient implementation, and timely introduction of new EE emerging technologies by performing the following activities:

 Identify, screen, assess, demonstrate, showcase, and pilot emerging, underutilized, commercially-available gas EE emerging technologies, products and services (including those identified by the California Energy Commission and the IOU Statewide Codes & Standards Programs for adoption in upcoming codes and standards) as appropriate for inclusion in California EE program portfolios.<sup>60,61</sup>

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<sup>58</sup> See Semi-Annual Independent Evaluator Report, Southern California Gas Company, dated December 2019 and June 2020 at caeecc.org.

<sup>59</sup> See Emerging Technologies sector presentations within the IOUs' EE Business Plans. https://www.caeecc.org/business-plans-1

<sup>60</sup> Decision 12-05-015 OP 99: "Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall coordinate with the Codes and Standards program and the California Energy Commission's Codes and Standards programs to (a) support the advancement of emerging technologies and approaches, including demonstration of technologies, that are candidates for adoption into future codes and standards as well as Reach Codes, and (b) identify critical early planning workforce training needs for advanced technologies."

<sup>61</sup> Decision 12-05-015 OP 91: "In the Codes and Standards program implementation plan sections of their 2013-2014 applications, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall include a detailed description for the statewide "Planning and Coordination Subprogram" that implement the "integrated dynamic approach." The program implementation plan should include an outline of the relevant roles of each of the Codes and Standards sub-programs relative to other IOUs programs and non-IOUs initiatives, as well as program objectives, strategies, expected outcomes, and program budgets."

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<sup>58</sup> See Semi-Annual Independent Evaluator Report, Southern California Gas Company, dated December 2019 and June 2020 at caeecc.org.

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- Provide information about program portfolio EE measure needs to technology, product, and service developers, manufacturers, technology development actors, and other stakeholders that engage in the California technology development pipeline so they may tailor their offerings accordingly.<sup>62</sup>
- Identify the non-energy benefits of emerging and underutilized energy-saving technologies, products, and services to help utility customers better understand the value proposition of the product, thus stimulating their adoption.

## 1.2. Timing

The GET program solicitation was delayed several times during 2019 while SoCalGas had discussions with the other IOUs and the CPUC ED on program scope and approach. Ultimately, the GET RFA was released on February 12, 2020.<sup>63</sup> The RFP was scheduled for release in July 2020 but was delayed until August 2020 due to extended discussions among the IOU and their PRG and the IE. The table below presents a list of key solicitation milestones and estimated completion dates. Unless otherwise noted, all milestone dates as of this Report were met or are on schedule.

Table 1.2: Key Milestones			
Milestones	Completion Date		
RFA	Completion Date		
RFA Released	February 12, 2020		
Optional Bidder Webinar	February 19, 2020		
Questions Due from Bidders	February 26, 2020		
Responses Provided by SoCalGas	March 4, 2020		
Bidder Abstracts Due	March 25, 2020		
Stage One Abstract Review Period Ends	April 10, 2020		
Calibration Meetings Held	April 16-17, 2020		
Shortlist Meetings Held	April 23, 2020		
Shortlist Presented to PRG	May 2020		
RFP			
RFP Released	August 21, 2020		
Optional Bidder Webinar	August 28, 2020		
Questions Due from Bidders – Round 1	September 4, 2020		
Responses Provided by SoCalGas – Round 1	September 14, 2020		
Questions Due from Bidders – Round 2	September 17, 2020		
Responses Provided by SoCalGas – Round 2	September 22, 2020		
Bidder's Proposal Due in PowerAdvocate	October 2, 2020		
Calibration Meetings Held	November 2020		
Shortlist Meetings Held	November 2020		
Shortlist Presented to PRG	December 2020		
Contracting & Implementation			
Selected Bidder(s) Notified	December 2020		
Contracts Presented to PRG*	Quarter 2 2021		

<sup>62</sup> Decision 12-05-015 p. 270: "The Emerging Technologies Program is well suited to take on a leadership role to bring all market actors together in order to increase coordination and to leverage the R&D opportunities, funds, and collaborative prospects."

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<sup>63</sup> Joint IOU Program Solicitation Schedule, dated December 2018. Subsequently, the IOUs updated the Joint IOU Program Solicitation Schedule to reflect changes to other solicitations. Solicitation schedules are updated periodically by the IOUs and the current schedule can be found at <a href="mailto:caeecc.org">caeecc.org</a>.

Table 1.2: Key Milestones			
Milestones	Completion Date		
Contract Executed*	Quarter 2 2021		
Advice Letter Filed*	Quarter 2 2021		
Contract Begins (Notice to Proceed) *	Quarter 3 2021		
Implementation Plan Uploaded to CEDARS *	Quarter 3 2021		
Program Launch *	Quarter 3 2021		
* - estimated			

### 1.3. Key Observations

The IE and the IOU had several discussions during the development of the RFP materials. All substantial IE comments were considered and adopted. As a result, there are no significant observations for this reporting period.

## 2. RFA Bidder Response and Selection

This solicitation activity was reported in the April 2020 through September 2020 Semi-Annual Report.

## 3. RFP Bidder Response and Selections

### 3.1. RFP Development

This solicitation activity was reported in the April 2020 through September 2020 Semi-Annual Report.

### 3.2. RFP Bidders' Conference

This solicitation activity was reported in the April 2020 through September 2020 Semi-Annual Report.

### 3.3. RFP Bidders' Conference

This solicitation activity was reported in the April 2020 through September 2020 Semi-Annual Report.

## 3.4. Proposal Selection Process

### a. Bid Screening Process and Management of Deficient Bids

SoCalGas implemented a bid screening process consistent with the approach presented to bidders in the RFP. All proposals passed the bid screening review. The bid evaluation consisted of two parts: (1) a threshold assessment to determine the responsiveness of the proposal to minimum requirements; and (2) proposal content scoring (for proposals that meet the threshold assessment requirements).

SoCalGas first evaluated the threshold assessment criteria (Items A, B, and C) on a pass/fail basis, as presented below. Only proposals that received a "Pass" on the threshold assessment were evaluated for proposal content. All proposals passed the bid screening process.

#### Threshold Assessment Criteria

- A. On-time submittal via PowerAdvocate
- B. Proposal responsiveness

- C. Bidder and proposed program are eligible if bidder meets the RFP requirements, and the proposal does not include the following:
  - Programs that target small and medium Commercial customers;
  - Programs that target the Public sector;
  - Unproven new technologies, tool development, research and development (R&D), or completion (market testing) of a product;
  - Demonstration, pilot or "proof of concept" projects, R&D prototypes, and limited production technologies that cannot support an effective EE program;
  - Statewide EE programs or programs that overlap with statewide programs;
  - Programs that are primarily based on behavioral measures (Note Resource program
    designs which include behavioral components are acceptable);
  - Income Qualified EE programs;
  - Programs that solely promote demand response programs;
  - Non-EE programs/services and services that support other EE programs;
  - EM&V consulting services and program support services;
  - Programs that are solely a non-resource program (Note Resource program designs which include non-resource strategies (e.g., marketing, training, etc.) are acceptable; and/or
  - Programs that overlap or duplicate the efforts of Local Government Partnerships or Regional Energy Networks.

### b. Scoring Rubric Design

The tables below show the RFA and RFP scoring rubrics that SoCalGas applied to the proposals that passed the IOU's bid screening process.



#### Evaluation Team Profile

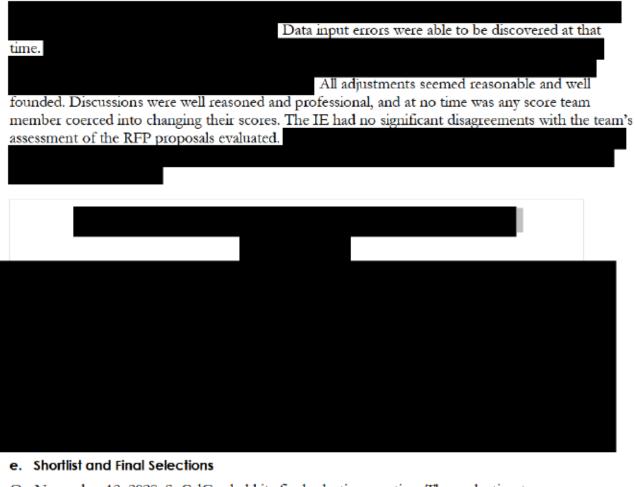
This solicitation activity was reported in the April 2020 through September 2020 Semi-Annual Report.

### d. Evaluation Processes and Scoring Calibration

The evaluation

team completed its review and scoring by early November 2020. Overall, SoCalGas evaluation approach was neutral and conducted in a fair and transparent manner.

The evaluation team held calibration meetings on November 9 and 10, 2020. The IE monitored RFP evaluation processes, including the team calibration meetings.



On November 12, 2020, SoCalGas held its final selection meeting. The evaluation team representatives presented the team's final score and ranking.

The IOU

senior management agreed.

The IOU does not hold competitive contract negotiations. Per the IOU's Solicitation Plan, SoCalGas invites only those bidders it intends to award contracts.



## 3.5. PRG and IE Feedback to Proposal Process and Selections

This solicitation activity was reported in the April 2020 through September 2020 Semi-Annual Report.

## 4. Contracting Process

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

## 5. Assessment of Final Contract

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

## 6. Overall Assessment of Solicitation

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

## 7. 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 Residential Manufactured Homes Solicitation

Reporting Period: October 2020 through March 2021



Prepared by: Apex Analytics

Disclaimer: This report includes highly sensitive and confidential information.

# Local Residential Manufactured Homes Program

## **Executive Summary**

SoCalGas solicited third-party contractors to propose new EE programs for their local residential manufactured homes. The solicitation enabled SoCalGas to comply with the requirements of CPUC's Decision 16-08-019 and to fulfill commitments as presented in the Company's Business Plan<sup>64</sup> and Solicitation Plan.<sup>65</sup>

The solicitation was successful in procuring two third-party implementers to design and implement manufactured home programs that will help meet its D.16-08-019 obligations, implement its Business Plan, and provide EE benefits to its customers and the State. SoCalGas' conduct and management of the EE program solicitation has been transparent, fair, and equitable. These solicitations are consistent with Commission guidance, including support of portfolio goals and metrics such as targeting of HTR and DACs. During the solicitation process, SoCalGas included the IE—Apex Analytics—in all processes and reported to the PRG on a monthly basis on key milestones including RFA and RFP selections.

The purpose of the Manufactured Home solicitation was to invite the EE industry to collaborate with SoCalGas in developing resource-based, innovative, and comprehensive EE programs for the residential manufactured home market in SoCalGas' service territory. <sup>66</sup> SoCalGas selected two bidders from the manufactured homes RFP: Staples & Associates (Staples) and Eagle Systems International, Inc. DBA Synergy Companies (Synergy). In the negotiations process, the bidders and SoCalGas collaborated on final program design. In both cases, the original design of the programs remained intact.

As described in Synergy's contract, Southern California Gas Company Comprehensive Manufactured Homes Program (CMHP) is a "comprehensive advanced clean energy solution for manufactured home customers. The program path begins with the delivery of cost-effective therm-rich direct install measures that transitions to an advanced clean energy opportunity for the manufactured homes customers that can be financed by outside sources." As described in Staple's contract, SoCalGas Residential Manufactured Homes program "will use a tiered, direct install approach to provide residents and manufactured home park owners with convenient and cost-effective measures with low upfront costs, while giving them the option to install deeper energy savings measures which would require a customer co-pay."

A summary of each contract is shown in Table ES-1.

Table ES-1: Comparison of Contracts			
Topic	Staples	Synergy	
Territory	Tulare, Kern, Kings, San	Rest of SoCalGas Territory	
	Luis Obispo, Santa		
	Barbara, and Fresno		
Budget (3 years)			

<sup>64</sup> https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas\_Business\_Plan-1.17.17-FINAL.PDF 65 https://4930400d-24b5-474c-9a16-

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<sup>0109</sup>dd2d06d3.filesusr.com/ugd/0c9650\_d1aee41e53654b75932213f644a7131e.pdf

<sup>66</sup> See SoCalGas Business Plan, pp. 61-65 & p. 121, available at SoCalGas Business Plan.

Table ES-1: Comparison of Contracts			
Торіс	Staples	Synergy	
Number of Customers (3 years)	1,700	17,000	
Net Therm Savings (3 years)	362,588	523,857	
Program TRC	0.83	1.18	
Levelized PAC	0.95	1.7	
% Projects Comprehensive	18%	15%	
DAC and HTR Goals	70% DAC and HTR	60% DAC and HTR	
DBE %	13.3%	42%	
Compensation Type	100% Fixed Unit Pricing	99% Fixed Unit Pricing, 1%	
		Workpaper Development	
% Budget to Admin	6%	4%	
% Budget to Marketing	6%	3%	
% Budget to DINI	10%	11%	
% Budget to Incentives	78%	82%	

### 1. Background

This Independent Evaluator Final Solicitation Report (Report) provides an evaluation of SoCalGas's solicitation process for selecting a third-party contractor to implement new EE programs for the local residential manufactured homes. Apex Analytics LLC<sup>67</sup> (Apex), working as the IE, generated this report to summarize the solicitation process to ensure its compliance with CPUC requirements. The Report is intended to reflect and provide a record of the entire solicitation in compliance with CPUC direction<sup>68</sup>.

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. In January 2018, the Commission adopted Decision 18-01-004, directing the four California IOUs—PG&E, SCE, SoCalGas, and SDG&E—to ensure that their EE portfolios contain a minimum percentage of third-party designed and implemented programs by specified dates. In October 2019, SoCalGas (and the other IOUs) submitted a request to the CPUC for an extension of this requirement because of the additional time needed to establish new solicitation process protocols and procedures. On November 25, 2019, the CPUC granted the IOUs an extension of time to meet the minimum percentage thresholds as shown below<sup>69</sup>:

- At least 25 percent by June 30, 2020 (for SDG&E and PG&E);
- At least 25 percent by September 30, 2020 (for SoCalGas and SCE);
- At least 40 percent by December 31, 2020; and
- At least 60 percent by December 31, 2022.

To fulfill the requirements for third-party programs, SoCalGas began releasing solicitations in 2018 with the desired result of contracting with third parties to propose, design, implement, and deliver new EE programs. SoCalGas is required by the CPUC to conduct a two-stage solicitation approach to soliciting third-party program design and implementation services as part of the EE portfolio. All

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<sup>67</sup> Light Tracker, DBA Apex Analytics, LLC.

<sup>68</sup> Decision 18-01-004, OPN 5.d.

<sup>69</sup> 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.

IOUs are required to conduct a RFA solicitation, followed by a full RFP stage. 70

The CPUC also requires each IOU to assemble an EE PRG. The IOU's EE PRG, a CPUC-endorsed entity, is composed of non-financially-interested parties such as advocacy groups, state energy commissions, utility-related labor unions, and other non-commercial, energy-related special interest groups. The EE PRG is charged with overseeing the IOU's EE program procurement process (both local and statewide), reviewing procedural fairness, examining overall procurement prudence, and providing feedback during all solicitation stages. Each IOU briefs its PRG on a periodic basis throughout the process on topics including RFA and RFP language development, Abstract and Proposal evaluation, and contract negotiations.

Each IOU is required to select and utilize a pool of EE IEs to serve as consultants to the PRG. The IEs are directed to observe and report on the IOU's entire solicitation, evaluation, selection, and contracting process. The IEs review and monitor the IOU solicitation process, valuation methodologies, selection processes, and contracting to confirm an unbiased, fair, and transparent competitive process that is devoid of market collusion or manipulation. The IEs are privy to viewing all submissions. The IEs are invited to participate in the IOU's solicitation-related discussions and are bound by confidentiality obligations.

### 2. Solicitation Overview

#### 2.1. Overview

This Report summarizes the solicitation process for the Local Residential Manufactured Homes solicitation. It reflects Apex's observations as the IE through the entire process, from the development of the RFA to finalizing the contract with the selected third-party EE contractor. The purpose of the Manufactured Home solicitation was to invite the EE industry to collaborate with SoCalGas in developing resource-based, innovative, and comprehensive EE programs for the residential manufactured home market in SoCalGas' service territory.

### a. Solicitation Scope

SoCalGas initiated the local Residential Manufactured Home (Manufactured Home) solicitation to develop a cost-effective program that maximized natural gas, electric, and water efficiency savings for residential customers living in manufactured homes. The program scope included all relevant delivery channels and all existing residential manufactured homes customers throughout SoCalGas' service territory. The solicitation requested delivery of simple/low-cost EE retrofits, customer copays for more comprehensive upgrades, and financing options, and also encouraged other innovative delivery approaches.

SoCalGas serves more than 1,200 mobile home parks that used more than 34 million therms in 2018. This solicitation encouraged the exploration of all relevant delivery channels and program strategies, such as direct install and incentives, to produce a cost-effective program to maximize natural gas efficiency savings. The solicitation encouraged comprehensive tactics which included but were not limited to:

- Providing simple, low-cost EE retrofits;
- Incorporating customer co-pays for comprehensive, higher-cost EE retrofits;
- Leveraging available financing options to fund project co-pays (e.g., REEL);

<sup>&</sup>lt;sup>70</sup> Id, p. 31.

- Partnering with local contractors and vendors; and
- Partnering with local small business organizations, community-based organizations, and other local water and electric utilities.

SoCalGas also encouraged program designs that coordinate with other electric and/or water efficiency programs offered by other entities and requires program adherence to the CPUC decision on workforce standards.

### b. Objectives

The solicitation was designed to achieve more comprehensive, long-term energy savings and program opportunities to assist SoCalGas in achieving portfolio and sector-level metrics<sup>71</sup> related to the residential single-family customer segment, of which the manufactured home segment is a part, as well as those customers operating in disadvantaged communities (DACs) and hard-to-reach (HTR) communities.<sup>72</sup>

### 2.2. Timing

In November 2018, SoCalGas released an original RFA for Manufactured Homes. In April 2019, SoCalGas withdrew the RFA for the manufactured home solicitation due to low bidder participation. The RFA was reissued in February 2020; the remainder of this document describes the 2020 solicitation process. RFA bid selection and shortlist occurred in May and June 2020. The RFP was released in June 2020, and the RFP scoring and selection occurred in August and September 2020. Contracts were signed in December 2020, and programs are expected to launch in early 2021. Table 2.1 displays key milestones in the process.

Table 2.1: Key Milestones			
Milestones	Actual Completion Date		
RFA			
RFA Released	November 26, 2018		
Abstracts Submitted	January 7, 2019		
Calibration Meeting	February 6, 2019		
Shortlist Meeting	March 4, 2019		
RFA Re-Released	February 21, 2020		
Optional Bidder Webinar	March 3, 2020		
Questions Due from Bidders	March 10, 2020		
Responses Provided by Company	March 17, 2020		
Bidder Abstracts Due	April 3, 2020		
Stage One Abstract Review Period Ends	May 1, 2020		
Calibration Meeting Held	May 14, 2020		
Shortlist Meetings Held	May 22, 2020		
Shortlist Presented to PRG	June 2, 2020		
RFP			
RFP Released	June 12, 2020		
Optional Bidder Webinar	June 23, 2020		
Questions Due from Bidders – Round 1	June 26, 2020		
Responses Provided by SoCalGas - Round 1	July 2, 2020		

<sup>71</sup> See SoCalGas Portfolio and Sector-Level Metrics Compliance Filing, pp.57-61, available at <u>SoCalGas Portfolio and Sector-Level Metrics</u>.

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<sup>72</sup> See Decision 18-05-041, Conclusion of Law 27, available at <u>CPUC Decision 18-05-041</u>.

Table 2.1: Key Milestones			
Milestones	Actual Completion Date		
Questions Due from Bidders – Round 2	July 8, 2020		
Responses Provided by SoCalGas – Round 2	July 15, 2020		
Bidder's Proposal Due in PowerAdvocate	July 24, 2020		
Calibration Meetings Held	September 9, 2020 and		
	September 10, 2020		
Shortlist Meetings Held	September 14, 2020		
Shortlist Presented to PRG	October 6, 2020		
Contracting & Implementation			
Selected Bidder(s) Notified	October 14, 2020		
Contracting Kickoff Meetings	October 27 & 28, 2020		
Signed Contracts	December 21 and 22, 2020		
Contrast Regins (Notice to Braceed)	December 21, 2020 (Synergy)		
Contract Begins (Notice to Proceed)	December 23, 2020 (Staples)		
Program Launch (Estimated)	January 2020 (Synergy)		
riogiani Launch (Esumated)	April 2021 (Staples)		

## 2.3. Key Observations

Overall, we find that the solicitation was successful in procuring manufactured homes programs 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 of the EE program solicitation has been transparent, fair, and equitable. This solicitation was consistent with Commission guidance, including support of portfolio goals and metrics such as targeting of DACs and HTR communities. SoCalGas followed its scoring and shortlist processes and supported effective, transparent solicitations. The scoring teams were engaged in the scoring and selection processes and the solicitations team managed an efficient process.

Table 2.2 summarizes the key observations made during each solicitation stage.

Table 2.2: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
RFA Stage			
Expanded Outreach	To encourage more bidders than the previous RFA, SoCalGas expanded bidder outreach (including to the manufactured home association).	SoCalGas should continue to conduct expanded outreach, especially for niche solicitations.	Unknown for other solicitations.

the second second			Table 2.2: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes			

Table 2.2: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
RFP Process			
CET Output	SoCalGas engineering team	SoCalGas should continue	New recommendation.
	developed a new useful	this process and update the	
	summary of CET outputs to provide scorers with insight	summaries as any changes are made to the bidders'	
	into underlying measures in	CETs to ensure transparency	
	each bid and program	and consistency of final	
	summary information such as	scores.	
	cost-effectiveness, levelized		
	cost, and energy savings.		
Contracting and N			
Timing of	Due to timing constraints,	Specify that negotiation	SoCalGas bidders that
Negotiations	SoCalGas notified bidders of	timelines are goals. Do not	was a goal.
	a two-week timeframe for	constrain negotiations to	
	negotiations. Based on recent negotiation processes, two	unreasonable timelines, which may increase risk to	
	weeks is a very aggressive	bidders and reduce quality of	
	schedule, especially for	contracts.	
	bidders who have not		
	previously conducted		
	negotiations with SoCalGas.		

Table 2.2: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
HTR and DAC Goals	In proposals, bidders provided HTR and DAC goals. In the draft contract and key performance indicators (KPIs), the HTR and DAC goals were combined to be a certain goal of projects that are HTR or DAC. Depending on intention, this detail could reduce the total HTR and DAC goals.	SoCalGas should consider and define when it makes sense to combine HTR and DAC goals and when they should remain separate.	HTR and DAC goals were separated in the contract.

# 3. Solicitation Outreach and Bidder Response

# 3.1. Bidder Response to Solicitation

Bidders were informed about solicitation opportunities through three main sources. SoCalGas used PEPMA to notify bidders regarding the solicitation. Contractors registered in PEPMA received emails informing them of the solicitation opportunity. SoCalGas also communicated with potential bidders through its Solicitation Website and CAEECC web site. In an attempt to overcome the low bidder participation from the original round, SoCalGas also sent an email blast to the Manufactured Home Association list, posted the opportunity to the national Association of Energy Services Professionals RFP webpage, updated the CAEEC website with this opportunity, sent to the Service List Rulemaking 13-11-005, and sent notification to supply management's list of identified DBEs.

SoCalGas' outreach approach using PEPMA, supplemented with additional communications, is fair, transparent, and equitable. SoCalGas was fair in its selection of bidders who received information about the bid and transparent in terms of the ways the utility sought to engage potential bidders. Table 3.1 provides statistics on the bidder response to the Manufactured Homes Solicitation. SoCalGas led the solicitation outreach without IE involvement. We tracked the progress of the

outreach efforts based on abstracts and proposals received, as well as questions from bidders.

For the RFA, 43 bidders downloaded bid documents, 6 bidders submitted intent-to-bid forms, 2 bidders submitted questions, and 3 bidders submitted proposals. Although this was not a large number of responses, it was reported by SoCalGas to be consistent with their expectation of the response to the manufactured home solicitation. From our perspective, this level was sufficient for competition and not unexpected given the focused nature of this solicitation on the manufactured homes segment.

For the RFP, all three of the bidders invited to the RFP phase submitted complete bids and were scored. Table 3.1 provides statistics on the bidder response to the Manufactured Homes Solicitation.

Table 3.1: Solicitation Response		
	Number	
RFA – Reissue		
Abstracts Expected	3-4	
Abstracts Received	3	
Abstracts Disqualified	0	
RFP		
Proposals Invited	3	
Proposals Received	3	
Proposals Disqualified	0	
Bidders Advanced to Contracting	2	

#### 3.2. Bidder's Conference and Q&A

SoCalGas held bidder conferences and responded to the bidders' questions at both the RFA and RFP stages in a complete, accurate, and timely manner consistent with their solicitation schedules (conferences are summarized in Table 3.2). SoCalGas developed written responses to questions posed by bidders during the webinars and submitted to PowerAdvocate. SoCalGas sent these responses to all potential bidders through PowerAdvocate. In both phases, the IE was asked to review conference materials and review Q&A responses prior to sending them to bidders. We suggested minor edits, which were accepted and included by SoCalGas.

At the RFA Bidder's Conference (March 3, 2020), SoCalGas combined the Webinar with the agriculture and large commercial solicitations. During the Webinar, bidders asked 12 questions and bidders submitted 35 additional questions for the manufactured homes solicitation through PowerAdvocate. These questions covered topics such as serving income-qualified customers, common measures, customers per year, cost-effectiveness, pay-for-performance, diversity, and master-metered parks. SoCalGas provided the IE with draft responses, and the IE provided recommended edits to ensure clarity and consistency of responses.

At the RFP phase, SoCalGas offered two rounds of bidder Q&A. SoCalGas conducted the bidders' conference for the RFP package on June 23, 2020. There were 33 external attendees from the bidder community, in part because it was held at the same time as the large commercial and agriculture RFP. SoCalGas spent considerable time during the conference explaining the format of the submission and the fact that linked documents would count against the page limits. SoCalGas allowed time after each section of the conference for questions. The conference also included a thorough section on the CET, including data-input guidance and common mistakes that would cause errors. SoCalGas recorded the Webinar and encouraged bidders to go back to the recording for specific CET information. Two bidders responded to the CET survey. SoCalGas received 27

questions. Four questions related to the manufactured-homes topic of master-metered versus central facility and how that aspect affects program eligibility and incentives.

Table 3.2 displays information on bidders' conferences and questions.

Table 3.2: Bidder Conferences and Q&A		
RFA Bidder Conference Date	March 3, 2020	
Number of Questions Received	47	
RFP Bidder Conference Date	June 23, 2020	
Number of Questions Received	27	

## 3.3. Solicitation Design Assessment

The solicitation design met SoCalGas' intention to procure resource-based programs targeted at the manufactured homes sector, consistent with the CPUC-approved Business Plan and Solicitation Plan. The solicitation requested that bidders propose programs that would help achieve SoCalGas' savings goals and applicable portfolio and sector-level metrics as incorporated into the Annual Budget Advice Letter. The solicitation was designed as a two-stage process in accordance with the CPUC-adopted IOU Solicitation Plan and included IE oversight on all aspects of the solicitation.

The solicitation was based on the needs and customer-group profiles identified in SoCalGas' approved business plan, and the solicitation was designed to achieve more comprehensive, long-term energy savings. Bidders were encouraged to review and propose innovative programs that would assist SoCalGas in achieving portfolio and sector-level metrics<sup>73</sup> related to the residential single-family customer segment, of which the manufactured home segment is a part, as well as those customers operating in DACs and defined as HTR.

Specifically, the manufactured home solicitation sought to obtain program ideas to address various segment barriers identified in the Business Plan, with a focus on providing low-cost EE retrofits; requiring customer copays for comprehensive/higher-cost EE retrofits; leveraging available financing options to fund project copays; partnering with local contractors and vendors; and/or partnering with local small business organizations, community-based organizations and other local water and electric utilities.

The manufactured home sector solicitation was conducted as a two-stage process (RFA followed by an RFP), consistent with the requirements of D. 18-01-004 and SoCalGas' Solicitation Plan. The IOU actively involved both the PRG and IE at every stage.

# 4. RFA and RFP Design and Materials Assessment

# 4.1. RFA Design Requirements and Materials

The RFA design and approach were fair, sufficiently transparent, and equitable. SoCalGas allowed for PRG and IE review of the template. IE reviewed the RFA package multiple times. SoCalGas worked with the IE to identify key areas of the RFA that could be removed or streamlined to reduce bidder effort. SoCalGas spent significant effort ensuring that the RFA was updated with lessons learned from previous RFA processes and was consistent across those RFAs issued concurrently (e.g., large commercial and agriculture). Across the multiple rounds of review, the IE had 54

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<sup>&</sup>lt;sup>73</sup> See SoCalGas Portfolio and Sector-Level Metrics Compliance Filing, p. 57-61, available at <a href="http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF">http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF</a>.

comments. All comments were reviewed and considered by SoCalGas, and the vast majority were accepted. IE-recommended edits included aspects such as:

- Aligning the RFA and RFP documents to reduce bidder and scorer effort in areas such as confidentiality notice, resume requirements, pay-for-performance, and incentive design.
- Defining the material difference(s) between the RFA and RFP stages.
- Leveraging lessons learned from previous RFA scoring processes to improve the RFA
  questions and scorecard, including factors such as custom measures and definition of
  success for bidder experience.
- Editing the RFA to be consistent with PRG guidance in areas such as innovation, partnerships, cost effectiveness, and integrated demand-side management (IDSM) definition.
- Ensuring clarity in scoring guidance.
- Ensuring diversity in the scoring team.

SoCalGas accepted and adjusted the RFA per the IE guidance in most areas. Yet, due to timing constraints, SoCalGas was not able to fully update the RFA package to align with the RFP.

# 4.2. RFP Design Requirements and Materials

For the RFP stage of the manufactured homes solicitation, SoCalGas released a total of 16 documents, including the RFP main document, 4 attachments for the bidders to populate (3 Word files and 1 Excel file), and 11 informational exhibits. This represented a more streamlined set of documents than previous solicitations; we believe this was a reasonable number of documents for the RFP.

The RFP design was a relatively smooth process due to SoCalGas' development of templates for solicitation documents. The IE worked with SoCalGas in the updated approach to its RFP in multiple rounds. In general, the updated RFP was more straightforward, chronological, and streamlined. The IE provided multiple rounds of feedback for improvement in the RFP questions and scorecard, including aspects such as: clarifying innovation rationale and metrics, using actual measure data from the CET to score measure mix and confidence in forecast, clarifying requirements on KPIs, and reducing specificity with program experience related to "success" and "similar" definitions. During scoring, the IE found that the new RFP worked well with very few areas of concern or confusion raised during the meeting.

# 4.3. Response to PRG and IE Advice

As noted above, SoCalGas integrated IE feedback throughout the process and no substantial issues raised by the IE were unresolved. SoCalGas also included recommendations from the PRG in updating the RFA template, all of which were accepted. These comments from PRG included issues such as:

- Streamlining RFA documents (SoCalGas reduced the number of documents from 11 to 5), including consolidation of the RFA template and RFA guide.
- Reducing the number of scoring categories.
- Clearly defining material change from the RFA to RFP stages.
- Fixing links.

- Clarifying language in the RFA template, including minor edits throughout and specific edits on compliance.
- Reducing requirements for subcontractor resumes.

# 5. Bid Evaluation Methodology Assessment

Apex finds that the evaluation process was fair, sufficiently transparent, and equitable. In general, we find that SoCalGas staff were open to IE and PRG feedback and conducted adaptive management of the solicitation processes to continually improve. Apex shared detailed feedback with SoCalGas on recommended improvements to the scorecard and template to reduce bidder confusion and ensure consistency and efficiency for reviewers in future solicitations.

During both the RFA and RFP bid evaluation stages, SoCalGas performed a threshold assessment in which the Company evaluated abstracts to ensure bidders provided all required information and were eligible for scoring.

# 5.1. Bid Screening Process

At both the RFA and RFP stage, SoCalGas utilized a bid-screening process consistent with the approach presented to bidders in solicitation materials. First, SoCalGas supply management conducted a threshold assessment (pass/fail) on the following factors:

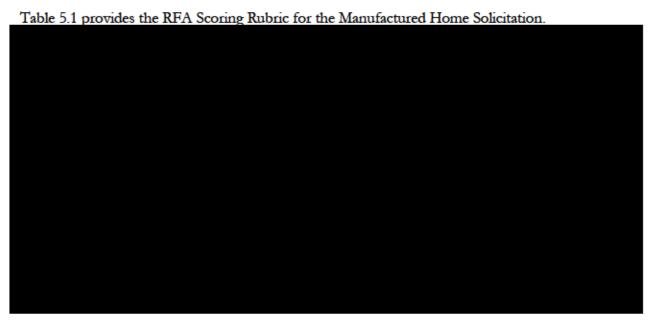
- A. On-Time Submittal Via PowerAdvocate
- B. Proposal Responsiveness (Bidder must complete and upload all mandatory documents and attachments in PowerAdvocate)
- C. Bidder and Proposed Program are eligible if bidder meets the RFP requirements, and the Proposal does not include the following:
  - Unproven new EE technologies, tool development, R&D, or completion (market testing) of a product;
  - Demonstration, pilot or "proof of concept" projects, R&D prototypes, and limited production technologies that cannot support a full-scale EE program;
  - EE programs and programs that overlap or duplicate the efforts of statewide EE programs;
  - Programs that are primarily based on behavioral measures (Note Resource program designs which include behavioral components are acceptable);
  - Income Qualified EE programs and non-EE products or services;
  - Programs that solely promote demand response programs;
  - Non-EE programs/services and services that support other EE programs;
  - EM&V consulting services and program support services;
  - Programs that are solely non-resource (Note Resource program designs which include non-resource strategies (e.g., marketing, training, etc.) are acceptable.); and/or
  - Local Government Partnership or Regional Energy Network Programs or programs that overlap or duplicate the efforts of Local Government Partnerships or Regional Energy Networks.

For the RFA and RFP, all bids passed the initial screening process.

At the RFP phase, an additional step was taken at this phase to assess all bids for RFA/RFP conformance. SoCalGas hosted a meeting with the scoring team and IE to discuss the results. The IE agreed with the SoCalGas assessment that all bids were sufficiently similar to the RFA.

# 5.2. Scoring Rubric Design

SoCalGas' evaluation criteria (scoring rubric) and associated weightings for the RFA and RFP stages were generally consistent with CPUC direction and the Company's approved Business and Solicitation Plans. The RFA stage placed heavier weighting on Innovation, Skills and Experience, and general program approach/design factors than the RFP stage. The RFP-stage scoring rubric placed greater emphasis on program feasibility, cost and energy savings, and measurement and verification (M&V) than the RFA. This was consistent with PRG guidance and with the strategy of the RFP focusing on the proposed program's details, including specifically how the program will deliver energy savings. Prior to issuance of the RFA and RFP, SoCalGas shared the scoring weights and scorecard with the IE for review and feedback. After integrating IE feedback, SoCalGas shared these adjusted weights with the PRG for feedback.



The categories, subcategories, and weights shown in Table 5.2 were used for scoring RFPs. The scoring rubric was designed to balance multiple factors and was generally consistent with PRG guidance.





In addition to the scoring weights, an essential part of the RFA and RFP templates was the scorecard. During both phases, the IE shared feedback on the scorecard.

#### 5.3. Evaluation Team Profile

For the RFA and RFP, SoCalGas maintained a consistent team of scorers, as shown in Table 5.3 below.

Apex provided input into the scorer training materials and attended both sessions. In both cases, the scoring training was well attended (~15 SoCalGas members) and was useful for discussing scoring approaches and aligning expectations across the organization. The training provided helpful overviews of general processes and each scorecard item. In addition, SoCalGas requested that reviewers attest there was no conflict of interest related to performing their evaluation responsibilities; there were no conflicts of interest reported by scorers.

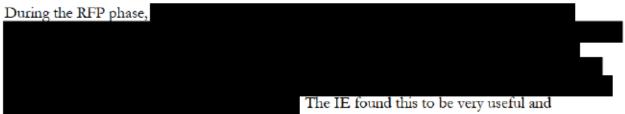
# 5.4. Scoring Processes



scoring of bids, shared those scores with SoCalGas, and attended the scoring calibration meeting.

As noted below, SoCalGas followed its scoring processes. During the RFA scoring, the IE noted some opportunity to improve the RFA scorecard related to:

- Referencing tables of measures rather than just the bidder's description for factors such as program comprehensiveness.
- Addressing confusion of bidders and scorers caused by innovation elements of rationale and metrics.
- Scoring of program experience questions, which was difficult due to specificity related to "success" and "similar".



recommends that SoCalGas continue this process and update the summaries as any changes are made to the bidders' CETs to ensure transparency and consistency of final scores. Finally, the topic of confidence in forecast was a new RFP scoring item. SoCalGas' scoring process did not include the engineering representative on the scoring of these scorecard items. The IE recommends that SoCalGas add the engineering representative to the scoring of Confidence in Forecast due to useful insight from CET reviews and relevance to other topics such as cost-effectiveness, levelized cost, and energy savings.

# 5.5. Response to PRG and IE Advice

As noted above, SoCalGas integrated IE feedback throughout the process and no substantial issues raised by the IE were unresolved. The PRG did not provide specific feedback on this round of bid evaluation methodologies as they were very similar to previous solicitations due to the template strategy.

#### Final Bid Selection Assessment

# 6.1. Conformance with Established Evaluation Processes

SoCalGas conducted its RFA evaluation in conformance with its established scoring criteria and process for the RFA. There were no non-conforming bids and there were no adjustments to deficient bids.

 The calibration meeting was efficient and well facilitated. SoCalGas integrated previous recommendations to allow IEs to identify areas of variance prior to the meeting. Therefore, additional scores were flagged for team discussion due to IE request of discussion. This helped to add to consistency of scoring and application of the scorecard and was more efficient than the previous process.

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 The IE and SoCalGas final RFP scores and bid rankings were very similar, with the IE scoring two bids slightly higher overall and one bid slightly lower.

The SoCalGas process to score bids was consistent with established scoring criteria and defined processes. The calibration team meetings were well planned and well facilitated. The process worked well, and the scoring team was focused on consistently applying the rubric. The updated RFP scorecard worked well and reduced confusion from previous versions. During the meeting, scorers were respectful and open to incorporating new information and changing scores, as appropriate.

During the calibration meeting, the scorers were well prepared and engaged in effective dialogue on scores with deviations. The scorers used the scorecard effectively and were open to adjustments if any issues with following the scorecard were identified by others in the calibration meeting.

# 6.2. Management of Deficient Bids

In both the RFA and RFP phases, there were no deficient bids.

#### 6.3. Shortlist and Final Selections

#### Conformance with Established Evaluation Processes

The RFA shortlist meeting conformed with established evaluation process. The meeting was well attended, including all scoring team members, solicitation team members, supply management staff, management, and the IE. There was detailed discussion of each bid, including the differences in measures among bids. Ultimately, the scoring team recommended that all RFA bidders move to RFP phase. There was general agreement that the top two bids are strong and similar, and a third bidder has a unique perspective on the market and could possibly be a supplemental approach to the market. The IE agreed with this decision.

The RFP shortlisting and final selections conformed with established processes and scoring rubric. SoCalGas held a shortlist meeting with all scorers, the program manager, and the IE. The team met twice.

Therefore, the

team met a second time to review updated scores and discuss the final shortlist decision. The SoCalGas team recommended moving forward with the top two bidders. SoCalGas' reasons for proceeding with both bids included: similar program designs among bidders, ability to segment large geography between the bidders and expanding implementation contractor base. The IE supported this decision.

#### b. Portfolio Fit

The winning bidders' proposals were consistent with the Scope of work and consistent with the Business Plan needs. Portfolio fit was not directly used in the bid selection.

# 6.4. Response to PRG and IE Advice

As noted above, SoCalGas integrated IE feedback throughout the process and no substantial issues raised by the IE were unresolved. The PRG did not provide specific feedback on RFA selection and provided some comments on the two final selected bidders at RFP stage, including concern that the highest ranked bidder is overly focused on low-hanging fruit and not very innovative. This PRG member recommended that they increase comprehensiveness of measures and consideration of financing approaches. This feedback was addressed by SoCalGas in the negotiation phase with bidders.

#### 6.5. Affiliate Bids and Conflict of Interest

The IOU did not receive a bid from an affiliate and there were no identified conflicts of interest.

#### 7. Assessment of Selected Bids

# 7.1. Bid Selections Respond to Portfolio Needs

For the final selection, the bids selected to move forward to contracting met portfolio needs. The final selection is consistent with SoCalGas' portfolio needs as identified in its Business Plan and Solicitation Plan.

# 7.2. Bid Selections Provide Best Overall Value to Ratepayers

Overall, we find that the selected manufactured home programs, Synergy's Comprehensive Manufactured Homes Program (CMHP) and Staple's Residential Manufactured Homes program were chosen through a transparent, competitive process; they were the highest scoring bidders (first and second, respectively) of both the RFA and RFP processes; and they met SoCalGas business plan goals.

#### a. Program Description

As described in Synergy's contract, CMHP is a comprehensive, advanced clean-energy solution for manufactured home customers. The program path begins with the delivery of cost-effective therm-rich direct install measures that transitions to an advanced clean-energy opportunity for the manufactured homes customers that can be financed by outside sources. The CMHP delivers natural gas energy-efficient, clean energy, and carbon emission solutions. Synergy will offer participating customers the following services: identification of eligible participants; marketing and outreach; direct install measure installation; walk-through audit and sales consultation; local agency clean energy measure(s); advanced clean technology installation; and access to customer financing.

As described in Staple's contract, the SoCalGas Residential Manufactured Homes program will use a tiered, direct install approach to provide residents and manufactured home park owners with convenient and cost-effective measures with low upfront costs, while giving them the option to install deeper energy savings measures that would require a customer co-pay. The program will use a targeted approach to identify and enroll parks and customers, while informing all parties of the benefits of participation. The program includes a physical assessment of manufactured homes and community shared facilities within a manufactured homes park to identify: no-cost improvements to individual units (owner or tenant occupied); unit improvements requiring customer co-pay (but also

delivering more energy savings); and EE opportunities for shared or communal facilities (i.e., clubhouse, meeting rooms, etc.). Staples will offer participating customers the following services: identification of eligible participants; marketing and outreach; customer enrollment; scheduling; walk-through audit and sales consultation; direct install measure installation; presentation of opportunities for deeper upgrades (i.e., furnace, water heater, etc.); and access to customer financing.

#### b. Quantitative Metrics

Table 7.1 shows a summary of the quantitative information from the manufactured homes contracts. Where relevant, we have also provided for comparison metric information from the SoCalGas 2019 program (three-year and annual values shown for comparison with contracts). As shown below, SoCalGas plans to spend approximately the same amount of budget annually on its manufactured homes program as the 2019 contract yet is expecting to achieve higher net therm savings per year. The new contract TRCs are lower than the 2019 program, and the levelized PAC for Synergy is higher than the 2019 program. Additionally, the Stapes and Synergy contracts have high levels of DAC and HTR goals (70 and 60%, respectively).

Table 7.1: Comparison of Contracts				
Торіс	Staples	Synergy	2019 Program <sup>74</sup>	
Territory	Tulare, Kern, Kings, San Luis Obispo, Santa Barbara, and Fresno	Rest of SoCalGas Territory	NA	
Budget				
(3 years/annual)				
Number of	1,700/567	17,000/5,667	NA	
Customers				
(3 years/annual)				
Net Therm Savings	362,588/120,863	523,857/174,619	304,599/101,533	
Program TRC	0.83	1.18	1.28	
Levelized PAC	0.95	1.7	1.1	
% Projects	18%	15%	NA	
Comprehensive				
DAC and HTR	70% DAC and HTR	60% DAC and HTR	NA	
Goals				
DBE %	13.3%	42%	NA	
Compensation Type	100% Fixed Unit Pricing	99% Fixed Unit Pricing, 1% Workpaper Development		
% Budget to Admin	6%	4%	NA	
% Budget to	6%	3%	NA	
Marketing				
% Budget to DINI	10%	11%	NA	
% Budget to	78%	82%	NA	
Incentives				

The manufactured homes program aligns with California energy policies in helping achieve energy savings and other benefits in the Public sector. Specifically, the program aligns with Senate Bill 350's

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<sup>74</sup> https://cedars.sound-data.com/programs/SCG3765/details/2019/?include\_c\_n\_s=true

pursuit of doubling statewide EE savings by 2030 and seeking to overcome barriers to DACs participating in EE programs.<sup>75</sup>

# c. Measurement and Verification (M&V)

The program primarily consists of deemed measures and, therefore, its M&V requirements are limited to confirming installations, ensuring that measures are working properly, and inspecting a sampling of installations.

## d. Compensation

As shown above, both programs are nearly all fixed unit pricing, with a small portion (1%) set aside for workpaper development by Synergy. The contracts do not have any "pay-for-performance" components, which is consistent with the sector and segment and delivery approach of the programs<sup>76</sup>.

#### e. Support for Portfolio and Applicable Sector Metrics Achievements

The final contracted program and its KPIs support the portfolio and applicable sector metrics, as shown in Table 7.2 below.

Table 7.2: Program KPIs and SoCalGas Metrics			
Program KPI	SoCalGas Metric		
Energy Savings Delivered	Energy Savings		
Project Installations Delivered	Installations		
Penetration of EE Programs in the Eligible Market	Conversion to Comprehensive EE Projects		
Goals/Expenditure Alignment	NA		
HTR and DACs	Penetration of EE		
DBE Spend	NA		

# 8. Reasonableness of Contracting Process

# 8.1. Collaboration on Final Program Design and Scope

As noted above, SoCalGas selected two bidders from the manufactured homes RFP: Staples and Synergy. In the negotiations process, the bidders and SoCalGas collaborated on final program design. In both cases, the original design of the programs remained intact. A key negotiation was separation of territory by zip code. Staples focuses on six areas: Tulare, Kern, Kings, San Luis Obispo, Santa Barbara, and Fresno; Synergy covers the rest of the territory. Both negotiations happened within a month, which is a substantial reduction from previous negotiations. SoCalGas took a partnership approach to both negotiations and was flexible with timelines in order to ensure the bidders had enough time for review, editing, and responding. Various meetings were held throughout the process to clarify and negotiate on key issues such as CET inputs, measure pricing, administrative costs, and zip code designations by program.

We believe the collaboration with both contractors met the CPUC's definition of a third-party program per OPN 10 of Decision 16-08-019: "the program must be proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program

<sup>75</sup> SB 350 is the Clean Energy and Pollution Reduction Act of 2015. https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\_id=201520160SB350

<sup>&</sup>lt;sup>76</sup> CPUC D. 18-01-004 is associated specifically with programs using meter-based savings methodologies (measured and verified savings).

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 Synergy and SoCalGas did not result in a violation of the requirement that the program be designed by the third party. Similarly, the collaboration and consultation between Staples and SoCalGas did not result in a violation of the requirement that the program be designed by the third party.

# 8.2. Fairness of Negotiations

SoCalGas negotiated with the two bidders that moved to the negotiation phase. The IE was included in all communications and meetings. SoCalGas approached the negotiation process as a partnership with its bidders. In general, we found the negotiation process to be fair, transparent, and effectively run.

Contract negotiations occurred over a one-month period. SoCalGas used a comment tracker for ease of tracking information and met multiple times with the bidder. In general, the Synergy negotiations were limited, as Synergy has negotiated two contracts with SoCalGas in recent months (i.e., Single-family and Public sector).

# 8.3. Changes to Contract Terms & Conditions

With the exception of moving the payment terms and schedule to Schedule C, there were no changes to the CPUC's Modifiable Contract Terms and Conditions. The CPUC's Standard Contract Terms and Conditions were also adopted, unchanged.

# 8.4. Conformance with CPUC Policies and Objectives

Table 8.1 provides a summary of the way elements of the program align with CPUC Policies and Objectives.

Table 8.1: Contract to Guidance Comparison		
PRG Guidance and Other Considerations	Staples - Apex Comment	Synergy - Apex Comment
IOU should develop standard contract template. (PRG Guidance on Contracting, Section 6.1.1)	Confirmed. SoCalGas develope received review from PRG.	ed a contract template and
Contract must include all CPUC standard (non-modifiable) contract terms in the contract. (6.1.2)	Confirmed. Final contract includes all CPUC standard (non-modifiable) contract terms.	Confirmed. Final contract includes all CPUC standard (non-modifiable) contract terms.
Contract includes CPUC modifiable contract terms as a starting point. (6.1.3)	Confirmed. Contract template included CPUC modifiable contract, which remained unchanged except for moving the payment terms to Schedule C of the contract.	Confirmed. Contract template included CPUC modifiable contract which remained unchanged except for moving the payment terms to Schedule C of the contract.

Table 8.1: Contract to Guidance Comparison			
PRG Guidance and Other			
Considerations	Staples - Apex Comment	Synergy - Apex Comment	
Other aspects of the contract template do	Confirmed. IE reviewed the	Confirmed. IE reviewed the	
not conflict with CPUC terms and	contract in entirety for	contract in entirety for	
conditions, policies, decisions or direction.	conflicts.	conflicts.	
(6.1.4/5)			
IE pool reviews standard contract template	Confirmed. IE pool reviewed	Confirmed. IE pool reviewed	
and provides comment. (6.1.6)	contract template.	contract template.	
IOU must present its contracting	Confirmed. IE was informed	Confirmed. IE was informed	
negotiation process to the IE/PRG for	of the IOU process and	of the IOU process and	
review. (6.2.1)	approach to contract.	approach to contract.	
IEs should monitor all bidder	Confirmed. IE was included	Confirmed. IE was included in	
communications during the negotiation	in all bidder communications	all bidder communications and	
process. (6.2.2)	and invited to all meetings.	invited to all meetings.	
IOU should explain its contracting process	Confirmed. The IOU met	Confirmed. The IOU met with	
to selected bidders. (6.2.3)	with the bidder early in the	the bidder early in the process	
	process to explain the	to explain the contracting	
	contracting process.	process.	
Prior to execution, the assigned IE and	Confirmed, the IE reviewed	Confirmed, the IE reviewed	
PRG should review final contracts for each	final contracts on 11/20/20.	final contracts on 11/18/20.	
program recommended for award. (6.3.1)			
Reasonable number of KPIs.	Confirmed. There are eight	Confirmed. There are eight	
	KPIs addressing different	KPIs addressing different	
	aspects of the Contractors	aspects of the Contractors	
	performance.	performance.	
KPIs make sense in terms of measuring,	Confirmed. IE provided	Confirmed. IE provided	
scale, timeframe.	comments on the initial draft	comments on the initial draft	
	to ensure Company, and	to ensure Company, and	
	Contractor ensured that KPI	Contractor ensured that KPI	
	metrics were clearly specified	metrics were clearly specified	
	in the KPI table.	in the KPI table.	
Contract includes appropriate performance	Confirmed. Time and scores	Confirmed. Time and scores	
issue remedies.	that trigger performance	that trigger performance issues	
	issues are identified and	are identified and described.	
	described. Performance	Performance corrective	
	corrective processes are	processes are triggered by	
	triggered by Performance goal	Performance goal	
	accomplishment, cost-	accomplishment, cost-	
	effectiveness alignment,	effectiveness alignment,	
	service delivery, and DBE	service delivery, and DBE	
	spending.	spending.	
Contract clearly addresses Support Services.	Confirmed. Attachment 2 lays	Confirmed. Attachment 2 lays	
	out Support Services offered	out Support Services offered	
	by SoCalGas.	by SoCalGas.	

Table 8.1: Contract to Guidance Comparison		
PRG Guidance and Other Considerations	Staples - Apex Comment	Synergy - Apex Comment
Innovative aspects of the program are retained.	The original program design of the proposal was retained. SoCalGas worked to clarify aspects of the program approach, increase comprehensiveness, and improve pricing.	The original program design of the proposal was retained. SoCalGas worked to clarify aspects of the program approach, increase comprehensiveness, and improve pricing.
If applicable, IDSM components are included.	NA	NA
If applicable, program considerations for HTR and DAC are incorporated.	Confirmed. The program goal is 70% DAC or HTR.	Confirmed. The program goal is 60% DAC and HTR.
Changes proposed by SoCalGas and Contractor were reasonable and fair.	Staples and SoCalGas negotiated prices to reduce admin costs to align with CPUC guidance and reduce cost per Therm for the program.	Synergy and SoCalGas negotiated to clarify aspects of the proposal, finalize measure list, and finalize pricing.

# 8.5. Uniformity of Contract Changes

SoCalGas was careful to ensure uniformity in contracts between Staples and Synergy. SoCalGas began with a uniform contract template and adjusted each for unique aspects of each contract. Then, as adjustments were made to each contract during negotiation, SoCalGas also worked to ensure consistency, where relevant, with the other contract.

#### Conclusion

The SoCalGas manufactured homes solicitation was conducted fairly, transparently, and without bias. As noted in this report, 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.

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 future solicitations.

Overall, SoCalGas' manufactured homes sector segment solicitation produced two programs that will enable the Company, its customers, and the State to benefit from the more efficient use of energy. The Synergy and Staples programs are expected to achieve higher therm savings than the 2019 program and achieve high levels of DAC and HTR goals (70 and 60%, respectively).

# 10. Implementation Plan

On February 12, 2021, Synergy and Staples held separate webinars to present the IP for their respective manufactured homes programs to interested members of the public. The IE reviewed the draft IPs, provided feedback and SoCalGas uploaded the IPs on February 19, 2021. All information contained in the final IPs were consistent with the final contract.

The IE reviewed the IPs for both Synergy and Staples. As required, they completed a draft IP and conducted a public webinar. SoCalGas shared the webinar schedule and invite, requested input on draft IPs and updated the IPs with IE feedback. The webinars were sparsely attended and may have

had one or two public members (who appeared to be from other program implementation firms). After updates, both contracts met the requirements of the IP template (v2.0 guidance). Program goals as uploaded in CEDARs were consistent with the contracts.

The draft IP of Staples initially did not follow the IP template. The second draft was aligned and met the IP requirements. The final IP contained substantially more information in its IP than Synergy and appeared to be a useful program document that extends beyond the IP requirement.

Synergy incorporated lessons-learned from previous IPs for the Small/Medium Public solicitation and met all requirements, yet the IP was relatively light in program descriptions and approaches.

The IE recommends SoCalGas define timelines for IE review in future IPs prior to the public webinar. It would be best to work to develop a SoCalGas template for IPs that clarifies expectations for the vendor in terms of information and depth contained in the IP. SoCalGas should consider providing this in the RFP so that bidders can appropriately estimate cost for the effort.

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

# **Local Large Commercial Solicitation**

Reporting Period: October 2020 through March 2021

Prepared by:
Don Arambula Consulting



Disclaimer: This report includes highly sensitive and confidential information.

# Local Large Commercial Program

## 1. Solicitation Overview

The Semi-Annual Report on the Local Large Commercial (Large Commercial) program solicitation covers the period between October 2020 through March 2021.

#### 1.1. Overview

The Large Commercial solicitation seeks qualified Bidders to propose, design, implement, and deliver an innovative, resource-based program(s) that provides comprehensive, long-term natural gas EE results for existing large and very large commercial (Large Commercial) customers.

#### a. Scope

The purpose of this solicitation is to invite the EE industry to develop a resource-based, innovative, and comprehensive EE program(s) for the Large Commercial customer group in SoCalGas' service territory. These Large Commercial customers account for approximately 33 percent of the commercial sector energy usage annually. 78

## b. Objectives

The Large Commercial solicitation aims to solicit innovative, resource-based programs to address various market barriers and drivers, as identified in SoCalGas' Business Plan, resulting in more comprehensive and deeper, longer-term energy savings. The selected Bidder(s) will assist SoCalGas in the achievement of various portfolio and sector metrics 9 through a comprehensive set of program strategies and tactics.

# 1.2. Timing

The Large Commercial program solicitation was released as scheduled on February 21, 2020. 80 Table 1.2 below presents a list of key solicitation milestones and expected completion dates. Unless otherwise noted, all milestone dates as of this Report were met or are on schedule. Contracts were executed at the end of December 2020, about 40 weeks after the release of the RFA which is consistent with the CPUC's recommended 39-week timing for a two-stage competitive solicitation.81

Table 1.2: Key Milestones			
Milestones	Completion Date		
RFA			
RFA Released	February 21, 2020		
Optional Bidder Webinar	March 3, 2020		
Questions Due from Bidders	March 10, 2020		
Responses Provided by Company	March 17, 2020		
Bidder Abstracts Due	April 3, 2020		
Stage One Abstract Review Period Ends	June 2020		

<sup>77</sup> See SoCalGas Business Plan, pp. 109-110 (Commercial Sector Vision) & p. 121 (Commercial Sector Segmentation), available at Business Plan.

<sup>78</sup> See SoCalGas Business Plan, p. 109 (Commercial Sector Chapter Summary), available at Business Plan.

<sup>79</sup> See SoCalGas Portfolio And Sector-Level Metrics Compliance Filing, pp. 69-75, available at SoCalGas Portfolio And

<sup>80</sup> Solicitation schedules are updated periodically by the IOUs and the current schedule can be found at caeecc.org.

<sup>81</sup> CPUC Letter to the IOU Regarding Energy Efficiency Third-Party Solicitation Schedule, March 11, 2020.

Table 1.2: Key Milestones		
Milestones	Completion Date	
Calibration Meetings Held	May 19-20, 2020	
Shortlist Meetings Held	May 26, 2020	
Shortlist Presented to PRG	June 2, 2020	
RFP		
RFP Released	June 12, 2020	
Optional Bidder Web-Conference	June 23, 2020	
Questions Due from Bidders - Round 1	June 26, 2020	
Responses Provided by SoCalGas - Round 1	July 2, 2020	
Questions Due from Bidders – Round 2	July 8, 2020	
Responses Provided by SoCalGas – Round 2	July 15, 2020	
Bidder's Proposal Due in Power Advocate	July 24, 2020	
Calibration Meetings Held	September 21-22, 2020	
Shortlist Meetings Held	September 24, 2020	
Shortlist Presented to PRG	October 6, 2020	
Contracting & Implementation		
Selected Bidder(s) Notified	October 2020	
Contract Executed	December 2020	
Advice Letter Approved, if applicable	Q2 2021	
Contract Begins (Notice to Proceed)	Q2 2021	
Implementation Plan	Q2 2021 (est.)	

# 1.3. Key Observations

Table 1.3 lists the key observations made by the IE during the solicitation during this reporting period (October through March 2021). The IE shared these key recommendations and others with the IOU and the PRG throughout the reporting period. The IOU was provided an opportunity to review, consider and accept the recommendations. The IOU did not always accept the IE recommendations. In those instances, the IOU provided its rationale for not accepting.

Table 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
Contracting			
Refine and Simplify the Contract Template	The current Contract template includes multiple pages on the CPUC's current cost reporting requirements. These requirements are included in the current EE Policy Manual.	The IOU should look for ways to reduce the Contract size by incorporating specific references to CPUC policies and requirements (e.g., cost category reporting) in lieu of listing those requirements.  The IE recommends that SoCalGas collaborate with its collective IEs to refine the current Contract template to consider various changes.	SoCalGas coordinated with its collective IEs to further refine its contract template.

## 2. RFA Bidder Response and Selections

This solicitation activity was reported in the April 2020 through September 2020 Semi-Annual Report.

## 3. RFP Bidder Response and Selections

This solicitation activity was reported in the April 2020 through September 2020 Semi-Annual Report.

# 4. Contracting Process

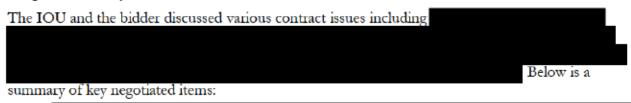
## 4.1. Contract Negotiations

Contract negotiations were held with Willdan and Enovity. At the onset of negotiations, the IOU determined that both bidders could provide complementary program services to overlapping customer groups. The following discusses the contract negotiations with the IOU and each bidder.

#### Collaboration on Final Program Design and Scope

#### Willdan

From October 28 through November 19, 2020, SoCalGas and Willdan met six times to discuss various aspects of the contract including program design and delivery. In Decision 16-08-019, the CPUC allowed the IOU and the selected bidder, after program selection, to collaborate on the ultimate program design implemented by the third party. This enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offering. This is 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.



- Enhanced Services: Discussion on the need for SoCalGas' enhanced data services.
   Ultimately, Willdan believed the IOU's basic services which includes customer usage data would suffice and Willdan would revisit receiving enhanced data services (e.g., more frequent sharing of customer usage data), if needed.
- Direct Implementation, Non-Incentive (DINI) Costs: SoCalGas noted that
  Willdan's DINI budget (50% of total budget) was greater than the CPUC's
  recommended threshold for third-party implementers (20%). Willdan explained that it
  will provide a greater level of technical services to customers in lieu of financial
  incentives, where possible. Such technical services increase the Program's DINI budget.

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<sup>82</sup> Conclusion of Law 57.

Willdan also noted that its cost per therm is far lower than SoCalGas' recently executed contracts with other commercial implementers, as presented in the advice filings. (i.e., SoCalGas recently approved Small/Medium Program contract showed a cost per therm of \$7.50). In the end, the IOU accepted the higher DINI budget since the overall cost per therm was lower.

- M&V Approach: SoCalGas sought a greater level of detail regarding Willdan's M&V approach. In response, Willdan provided a detailed outline of their M&V plan. The IOU concluded that the M&V approach is consistent with CPUC direction. SoCalGas accepted Willdan's approach without further discussion. The IE notes that a full M&V plan is required as part of the final IP.
- Invoice Payment: SoCalGas proposed a 60-day payment, with a 2 percent discount if
  payments are made to the implementer within 15 days of invoice approval. Willdan
  proposed a 45-day payment with no discount. The IOU agreed.
- Holdback Provision: Willdan was concerned about any proposed holdback provisions
  based on recent negotiations with other IOUs. SoCalGas made it clear that it was not
  their intent to have any holdback provision, with the exception of those tied to NMECrelated projects. Willdan was very appreciative of SoCalGas' transparency and fairness in
  contract negotiations on this point.

With the exception of the overall budget reduction to accommodate another implementer in the large commercial market and an adjustment to the proposed financial claw back provision to allow for recovery of compensation if an EE project does not realize expected energy savings, there were no changes made to the program design or delivery.

#### **Enovity**

From October 20 through November 18, 2020, SoCalGas and Enovity met five times to discuss various aspects of the contract including program design and delivery. In Decision 16-08-019, the CPUC allowed the IOU and the selected bidder, after program selection, to collaborate on the ultimate program design implemented by the third party. <sup>83</sup> This enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offering. This is 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 Enovity had several meetings to discuss various contract issues

The IE monitored all contract negotiation meetings and has reviewed all redlines to the initial contract. The resolutions agreed by both parties are reasonable.

Program Coordination: Enovity proposes a specific retrocommissioning (RCx) strategy
without offering equipment replacement. In response, SoCalGas proposed to Enovity
that it will coordinate with the other implementer, Willdan, for those customers who
have the potential for EE equipment retrofits. Also, both implementers would

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<sup>83</sup> Conclusion of Law 57.

- coordinate their NMEC-based offerings so there is no overlap. Both Enovity and Willdan agreed to such coordination in their individual contract negotiations. Enovity mentioned that it has done similar program coordination in other jurisdictions and it has experienced no issues.
- DBE Goal: SoCalGas encouraged Enovity to propose a DBE commitment. Enovity
  indicated that it would like to support the IOU in its DBE goal and will collaborate with
  SoCalGas but had little to no opportunity for subcontracting work. SoCalGas provided a
  list of potential DBE-qualified firms for Enovity's consideration but, ultimately, Enovity
  did not propose a DBE commitment.
- Customer Usage Data: SoCalGas and Enovity discussed the frequency with which SoCalGas would provide customer usage data to support the program's ongoing energy monitoring. Enovity preferred hourly but agreed to weekly given SoCalGas had limited ability to provide usage data more frequently without additional cost to the program.
- M&V Approach: SoCalGas shared its preference for Enovity to use non-proprietary software to calculate NMEC-related energy savings because Enovity's preferred Gridium software was proprietary and did not receive CPUC approval in prior attempts. Eventually, Enovity offered to use Recurve's non-proprietary software. The IE notes that the CPUC's ED has mentioned in other PRG forums the potential for individual IOUs to procure a common vendor to offer M&V support across multiple third-party programs within the IOU's portfolio. The IE supports this recommendation as it provides a common M&V approach and will likely result in lower cost to the portfolio.
- Defaults and Remedies: SoCalGas offered additional terms and conditions which allow SoCalGas to terminate the contract for default (e.g., non-performance). Enovity proposed simply to make this term mutual.
- Information Technology (IT)-Certification: SoCalGas requires all implementers to
  conduct a third-party review of their IT systems to confirm the appropriate level of
  security. Enovity offered that its IT systems are secure and would not need such a
  review. SoCalGas indicated due to the sensitive nature of the customer information
  required by the program that independent, third-party IT review is needed. Enovity
  proposed for SoCalGas to pay for the costs. Ultimately, both parties agreed to share the
  cost of the review (est.
   According to SoCalGas, this is the first time
  SoCalGas has agreed to share such costs with any implementer.

#### b. Fairness of Negotiations

#### Willdan

Overall, the contract negotiations were fair and transparent. The negotiations were somewhat hurried over the three-week period, though the parties maintained focus and addressed all issues completely. The IE recommends additional time be set aside in future solicitations to allow for a reasonable cadence to contract negotiations. The primary change to program scope was driven by SoCalGas' preference for two implementers to serve the large commercial customer group. As presented in the table below, Willdan reduced its proposed budget and energy savings projections and agreed to coordinate offerings with the other selected implementer.

Table 4.1a: Proposed vs. Final Agreement		
	Total 4-Year Budget	Total 4-Year Therms, Net
Proposal		3,100,000
Final Contract		2,190,594

#### Enovity

Overall, the contract negotiations were fair and transparent. The negotiations were somewhat hurried over the three-week period, though the parties maintained focus and addressed all issues completely. The IE recommends additional time be set aside in future solicitations to allow for a reasonable cadence to contract negotiations. The primary change to program scope was driven by SoCalGas' preference for two implementers to serve the large commercial customer group. As presented in the table below, Enovity reduced its proposed budget and energy savings projections and agreed to coordinate offerings with the other selected implementer.



#### Changes to Contract Terms and Conditions

#### Willdan

To be compliant with CPUC directives, SoCalGas provided the bidder with both the standard and modifiable CPUC terms and conditions at the start of contract negotiations.<sup>84</sup> The IE reviewed all documents and confirmed that the CPUC's terms and conditions are included in the agreement with the specific modifications as discussed below:

- CPUC Standard Terms The agreement keeps the CPUC Standard terms and conditions intact and only makes permissible changes or additions.
- Order of Preference Based on the IE's recommendation, SoCalGas did include in its Company's additional terms that if there is a conflict between any provision in the attachments or the agreement, the CPUC's standard terms and conditions are given priority and take precedence.

<sup>84</sup> D.18-10-004, OP 7.

- CPUC Modifiable Terms The CPUC modifiable terms and conditions are mostly
  unchanged and the limited changes are positive, as they appear to make administration of
  the Contract easier for both parties.
- IOU Additional Terms There are some potential conflicts between SoCalGas' additional terms (Schedule A) and the CPUC's standard terms (Schedule A-1), but they are avoided because Section 50 of SoCalGas additional terms gives priority and preference to CPUC's standard terms, as explained above. A few examples of these potential conflicts that are avoided are shown in the table below.

Table 4.2a: IOU Additional Terms				
Standard Term	Resolved			
Schedule A-1, Section C, Dispute	Schedule A, Section 17,	Schedule A-1, Section 50,		
Resolution Process Paragraph 1,	Retention of Payments; and	Order of Precedence		
Disputes and Section D, Termination	Section 25, Offsets; and Section			
Process, Paragraphs 1 & 2	37 Suspension of Work.			
Schedule A-1, Section C, Dispute	Schedule A, Section 30,	Schedule A-1, Section 50,		
Resolution Process, Paragraph 1,	Disputes	Order of Precedence		
Disputes	_			

#### Enovity

To be compliant with CPUC directives, SoCalGas provided the bidder with both the standard and modifiable CPUC terms and conditions at the start of contract negotiations.<sup>85</sup> The IE reviewed all documents and confirmed that the CPUC's terms and conditions are included in the agreement with the specific modifications as discussed below:

- CPUC Standard Terms The agreement keeps the CPUC Standard terms and conditions intact and only makes permissible changes or additions.
- Order of Preference Based on the IE's recommendation, SoCalGas did include in its
  Company's additional terms that if there is a conflict between any provision in the
  attachments or the agreement, the CPUC's standard terms and conditions are given
  priority and take precedence. The IE notes this provision is helpful since some of
  SoCalGas' additional terms may conflict with the CPUC standard terms (e.g., Default
  and Remedies provisions).
- CPUC Modifiable Terms The CPUC modifiable terms and conditions are mostly
  unchanged and the limited changes are positive, as they appear to make administration of
  the Contract easier for both parties.
- IOU Additional Terms There are some potential conflicts between SoCalGas' additional terms (Schedule A) and the CPUC's standard terms (Schedule A-1), but they are avoided because Section 50 of SoCalGas additional terms gives priority and preference to CPUC's standard terms, as explained above. A few examples of these potential conflicts that are avoided are shown in the table below.

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<sup>85</sup> D.18-10-004, OP 7.

Table 4.2b: IOU Additional Terms				
Standard Term	Resolved			
Schedule A-1, Section C, Dispute	Schedule A, Section 17,	Schedule A-1, Section 50,		
Resolution Process Paragraph 1,	Retention of Payments; and	Order of Precedence		
Disputes and Section D, Termination	Section 25, Offsets; and Section			
Process, Paragraphs 1 & 2	37 Suspension of Work.			
Schedule A-1, Section C, Dispute	Schedule A, Section 30,	Schedule A-1, Section 50,		
Resolution Process, Paragraph 1,	Disputes	Order of Precedence		
Disputes	_			

# d. Conformance with CPUC Policies and Objectives

# Willdan

The table below provides a summary of the way elements of the program align with CPUC Policies and Objectives.

Table 4.3a: Contract to Guidance Comparison				
PRG Guidance and Other Considerations	IE Response			
IOU should develop a standard contract template with CPUC standard terms, compliant with applicable CPUC policies, decisions or specific directives, consider PRG and	See Section 4.1.c.			
IE feedback, not use language/concepts that are inappropriate or typically not used in the EE industry. (PRG Guidance on Contracting, Section 6.1.1)				
Contract must include all CPUC standard (non-modifiable) contract terms in the contract. (6.1.2)	See Section 4.1.c.			
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. IE pool reviewed contract template.			
IOU must present its contracting negotiation process to the IE/PRG for review. (6.2.1)	Confirmed. IE was informed of the process and approach to the contract.			
IEs should monitor all bidder communications during the negotiation process. (6.2.2)	Confirmed. IE was included in all bidder communications and invited to all meetings.			
IOUs should explain its contracting process to selected bidders. (6.2.3)	Confirmed. The IOU explained the contracting process to the bidder at the initial meeting.			
Prior to execution, the assigned IE and PRG should review final contracts for each program recommended for award. (6.3.1)	Confirmed, the IE reviewed final contracts.			
The number of KPIs should be reasonable.	Confirmed. There are 10 KPIs addressing different aspects of the implementer's performance.			
KPIs make sense in terms of measuring, scale, timeframe.	Confirmed.			
Contract includes appropriate performance issue remedies.	Confirmed. Contract identifies a process to remedy performance issues.			

Table 4.3a: Contract to Guidance Comparison				
PRG Guidance and Other Considerations	IE Response			
Contract clearly addresses Support Services.	Confirmed. Attachment 2 presents Support Services offered by SoCalGas.			
Innovative aspects of the program are retained.	Confirmed. Willdan proposed 7 innovative program tactics to increase energy savings uptake including: integrated program delivery team, single online platform, data analytics-driven outreach, energy management technologies, simplified customer experience, Do-It-Yourself direct install, and promotion of other IDSM offerings. The IE notes that the Contract does not specifically call out innovation; however, Willdan's proposed innovations are incorporated into the Contract.			
If applicable, IDSM components are included.	For customers who express an interest in being zero net energy (ZNE)-ready, we identify how the customer can achieve ZNE-readiness and provide them with a roadmap that recommends actions to accomplish their goal.			
If applicable, program considerations for HTR and DAC are incorporated.	Confirmed. The program goal is 40% for customers in DAC areas. HTR is not applicable to this customer group per the CPUC definition.			
Changes proposed by SoCalGas and Contractor were reasonable and fair.	Confirmed. Changes were reasonable including the budget reduction as the RFP indicated that the solicitation budget may be shared among multiple awardees.			

# Enovity

The table below provides a summary of the way elements of the program align with CPUC Policies and Objectives.

Table 4.3b: Contract to Guidance Comparison				
PRG Guidance and Other Considerations	IE Response			
IOU should develop a standard contract template with	See Section 4.1.c.			
CPUC standard terms, 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)				
Contract must include all CPUC standard (non-modifiable)	See Section 4.1.c.			
contract terms in the contract. (6.1.2)				
Contract includes CPUC modifiable contract terms as a	See Section 4.1.c.			
starting point. (6.1.3)				
Other aspects of the contract template do not conflict with	See Section 4.1.c.			
CPUC terms and conditions, policies, decisions or				
direction. (6.1.4/5)				

Table 4.3b: Contract to Guidance Comparison				
PRG Guidance and Other Considerations	IE Response			
IE pool reviews standard contract template and provides	Confirmed. IE pool reviewed contract			
comments. (6.1.6)	template.			
IOU must present its contracting negotiation process to	Confirmed. IE was informed of the process			
the IE/PRG for review. (6.2.1)	and approach to the contract.			
IEs should monitor all bidder communications during the	Confirmed. IE was included in all bidder			
negotiation process. (6.2.2)	communications and invited to all meetings.			
IOUs should explain its contracting process to selected	Confirmed. The IOU explained the			
bidders. (6.2.3)	contracting process to the bidder at the initial			
	meeting.			
Prior to execution, the assigned IE and PRG should review	Confirmed, the IE reviewed final contracts.			
final contracts for each program recommended for award.				
(6.3.1)				
The number of KPIs should be reasonable.	Confirmed. There are 8 KPIs addressing			
	different aspects of the implementer's			
	performance.			
KPIs make sense in terms of measuring, scale, timeframe.	Confirmed.			
Contract includes appropriate performance issue remedies.	Confirmed. Contract identifies a process to			
	remedy performance issues.			
Contract clearly addresses Support Services.	Confirmed. Attachment 2 presents Support			
	Services offered by SoCalGas.			
Innovative aspects of the program are retained.	Confirmed. Combines meter data analytics,			
	turnkey-project delivery, and a streamlined			
	NMEC M&V methodology to reduce			
	unnecessary programmatic, administrative,			
	and transactional/procurement cost and risk.			
	These cost reductions not only enable the			
	customer to receive treatment, but also			
	provide more funding for implementation			
	with increased speed, certainty, and			
	persistence of cost-effective energy savings.			
If applicable, IDSM components are included.	Not applicable.			
If applicable, program considerations for HTR and DAC	Not applicable.			
are incorporated.				
Changes proposed by SoCalGas and Contractor were	Confirmed. Changes were reasonable			
reasonable and fair.	including the budget reduction as the RFP			
	indicated that the solicitation budget may be			
	shared among multiple awardees.			

# e. Uniformity of Contract Changes

#### Willdan

After the conclusion of SoCalGas' final bid selections, the IOU entered contract negotiations with Willdan and the other selected bidder, Enovity. As a starting point for negotiations, and consistent with CPUC direction, SoCalGas gave both bidders a set of CPUC standard and modifiable terms and conditions. Along with the CPUC's terms and conditions, the IOU provided its own proposed

additional terms in a separate document. 86 At the conclusion of both contract negotiations, the contract terms and conditions were the same among the Willdan and Enovity contracts with the exception of the invoice payment terms. As previously discussed, there were no changes made to the CPUC standard terms and conditions (see, Section 4.1.c. Changes to Contract Terms & Conditions).

Willdan's program provides a complete set of program strategies for all customers in the large commercial market. Enovity offers a single program strategy focused on improving the EE of building equipment operations for a niche customer (e.g., large hospitals). As a result, the contracts reflect differences such as incentive levels and program offerings. During negotiations, both implementers agreed to coordinate program offerings with any shared customers during program delivery.

#### Enovity

After the conclusion of SoCalGas' final bid selections, the IOU entered contract negotiations with Enovity and the other selected bidder, Willdan. As a starting point for negotiations, and consistent with CPUC direction, SoCalGas gave both bidders a set of CPUC standard and modifiable terms and conditions. Along with the CPUC's terms and conditions, the IOU provided its own proposed additional terms in a separate document. The conclusion of both contract negotiations, the contract terms and conditions were the same among the Willdan and Enovity contracts with the exception of the invoice payment terms. Willdan sought and received a 45-day invoice payment schedule with no discount for early payment. As previously discussed, there were no changes made to the CPUC standard terms and conditions (see, Section 9.3 Changes to Contract Terms & Conditions).

Enovity offers a single program strategy focused on improving the EE of building equipment operations for a niche customer (e.g., large hospitals). Willdan's program provides a complete set of program strategies for all customers in the large commercial market. As a result, the contracts reflect differences such as customer incentives and program offerings. During negotiations, both implementers agreed to coordinate program offerings with any shared customers during program delivery.

#### 4.2. Final Selections

At the RFP stage, the IOU selected two bidders for contract negotiations: Willdan and Envoity. Willdan's proposal scored the highest of all proposals. Enovity scored lower than two other bidders but offered a complimentary segment-based program that provided retrocommissioning solutions using a population-NMEC approach. The program was unique and the IOU believed, if successful, that it could open up new EE solutions for the targeted customer group.

#### 4.3. Contract Execution

The following table lists the bids selected for contract execution for each program.

<sup>86</sup> Decision 18-10-008, OP 6 and 7. The initial contract did not include definition of terms presented in the footnotes to the CPUC standard or modifiable terms and conditions. Instead, as instructed by the CPUC footnotes, SoCalGas defined these terms in the RFP or in the Agreement (i.e., Schedule B, Scope of Work).

<sup>87</sup> Decision 18-10-008, OP 6 and 7. The initial contract did not include definition of terms presented in the footnotes to the CPUC standard or modifiable terms and conditions. Instead, as instructed by the CPUC footnotes, SoCalGas defined these terms in the RFP or in the Agreement (i.e., Schedule B, Scope of Work).

Table 4.4: Bids Selected for Contract Execution				
Bidder Years Program				
Willdan	4	Large Commercial Program		
AESC	4	Service RCx+ Large Commercial Program		

## 4.4. PRG and IE Feedback to Contracting

Consistent with the PRG Guidance, the IOU presented the final contracts to the IE and the PRG for review and comment. No significant comments were provided as much of the IE and PRG feedback was provided throughout the contract negotiation process. The most significant feedback was directed at Enovity's unique proposal to apply population-level NMEC to a small population of hospital facilities.

The IOU and the Enovity agreed to coordinate with the CPUC on this issue in the development of the program's M&V plan.

#### 5. Assessment of Final Contract

## 5.1. Bid Selections Respond to Portfolio Needs

#### Willdan

For the final selection, the bids selected to move forward to contracting met portfolio needs. The final selection is consistent with SoCalGas' portfolio needs as identified in its RFA and RFP instruction and with its key objective identified in the Business Plan to increase EE adoption levels for commercial customers with high EE potential through efficient outreach and effective offerings. 88

#### **Enovity**

For the final selection, the bids selected to move forward to contracting met portfolio needs. The final selection is consistent with SoCalGas' portfolio needs as identified in its RFA and RFP instruction and with its key objective identified in the Business Plan to increase EE adoption levels for commercial customers with high EE potential through efficient outreach and effective offerings.<sup>89</sup>

#### 5.2. Bid Selection Provides the Best Overall Value to Ratepayers

#### Willdan

The IE supports the IOU's selection of Willdan's Large Commercial Program. The Program provides the best overall value to ratepayers within the competitive pool of bids in this solicitation. Willdan received the highest score at both the RFA and RFP stages. The selected Large Commercial Program provides a complete, comprehensive offering with innovative customer targeting that will likely reduce the cost of program delivery while producing cost-effective program results.

## Program Description

Willdan's Large Commercial Program offers comprehensive EE solutions for customers (using

<sup>88</sup> Southern California Gas Company's Energy Efficiency Business Plan, dated January 17, 2017, p. 110.

<sup>89</sup> Southern California Gas Company's Energy Efficiency Business Plan, dated January 17, 2017, p. 110.

>50,000 therms annually on a premise level) across the SoCalGas territory, delivering natural gas savings that also produce electric and water savings. The Program includes advanced planning driven by data analytics and implementation by an integrated team of highly experienced contractors (e.g., CPUC experts, outreach/sales leads, technical leads, financing partners, and others) and an established, open trade professional network to deliver comprehensive projects that go beyond basic EE to include energy management technologies (EMTs) and IDSM solutions. The Program integrates quality assurance and embedded M&V in all program steps.

# Program Overview

The table below provides a summary of the key quantitative metrics drawn from the executed program contract between SoCalGas and Willdan.

Table 5.1a: Proposed Program – Overview				
Item	Amount (Total Contract Period)	SoCalGas 2021 Annual Budget Advice Letter – Commercial Sector (2021 only)		
Total Budget (4-Year)				
Total Net Therms (Annualized)	2,190,594	4,340,000 (2021 only)		
Total Net kWh (Annualized)	9,802,317	835,193 (2021 only)		
TRC test	1.29	1.13* (2021 only)		
Cost per Therm (\$/Therm, Net Annualized)	\$5.64	\$6.76		
DACs (% Energy Savings)	40%	Not presented		
HTR Reach Customers (% Energy Savings)	n/a	n/a		
DBE (% of Contract Value)	40%	Not presented		
* – portfolio level				

## Alignment with Key Energy Efficiency Policies

The following discussion addresses the specific attributes of the selected program and the alignment with key EE policies.

#### Cost-Efficiency – Simple Acquisition Cost

The Large Commercial Program cost-per-therm forecast is slightly better than the SoCalGas' 2021 Commercial sector program forecasts as presented in the IOU's 2021 Annual Budget Advice Letter. Simple acquisition cost is an indicator of a program's cost-efficiency (i.e., the price tag of a therm). It is a quick, convenient way to compare programs across a program portfolio. The calculation does not consider the longevity of the annualized energy savings. The total program cost is divided by the program's expected total first year net annualized energy savings. Additionally, the expected cost-per-therm for the IOU's 2021 commercial sector forecasts includes all commercial programs including statewide mid-stream programs, statewide downstream programs, and local commercial programs including those targeting large commercial customers. Nevertheless, the expected program is expected to be more cost efficient in the delivery of program results than the 2021 commercial offerings, in aggregate.

Willdan will likely be implementing an EE program directed at the same customer group on behalf of SCE. Since it is likely Willdan will be able to offer these two programs at the same time to the same customer, Willdan may realize cost-efficiency gains in program delivery over these current single program projections.

#### Program Performance

The Large Commercial Program is expected to achieve a total 2,190,594 net therms of annualized energy savings over the Contract term. Over the next three years, SoCalGas' EE portfolio goals increase by 31 percent over 2020 levels. The Large Commercial Program is expecting an increase in energy savings results over 2021 levels to help support the IOU in meeting the increase in its portfolio-level EE goals, as presented in the table below.

Table 5.1b: Program Energy Savings Goals					
First-Year Annualized 2021 2022 2023 2024 Total Deliverable					
Net Therm Savings	211,940	818,723	974,514	185,417	2,190,594

#### Cost-Effectiveness Showing

The Large Commercial Program's cost-effectiveness showing is better than the SoCalGas' 2021 program portfolio forecast, as shown in Table 5.1.a. This improved cost-effective showing will help the IOU meet its future obligations in the coming years to present to the CPUC a portfolio-level cost-effectiveness forecast that meets or exceeds a TRC ratio of 1.25. The program's forecast, including the assumed values and the reasonableness of the program's expected EE installations, was confirmed by SoCalGas' engineering and program staff. The prospective cost-effectiveness showing does support the notion that third-party program implementers can help improve the cost-effectiveness of the IOU's overall program portfolio.

#### IDSM

SoCalGas does not have any demand reduction programs directed at the large commercial customer groups. However, the Contract does direct Willdam to coordinate its Large Commercial Program with other program administrators managing EE, water efficiency, environmental improvement measures or clean energy programs. <sup>91</sup> As new IDSM offerings become available, SoCalGas may be able to work with the Implementer to promote such offerings to the targeted customer group.

#### Disadvantaged Communities (DACs)

Willdan's Large Commercial Program will target customers within DACs throughout SoCalGas' service territory. The program will offer these customers a higher incentive level (i.e., 40% incentive adder in addition to the full incentive) to encourage their participation in the program. Willdan's goal is to achieve 40% participation from customers within DACs. Of the program will be achieve 40% participation from customers within DACs.

The IOU and implementer should include in the detailed program manual, an attachment to the IP, 95 a data collection plan that will demonstrate that the individual facilities fall under the CPUC's DAC and/or HTR definition. This will avoid discrepancies regarding whether the facility should be considered either DAC or HTR in reporting to the CPUC.

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<sup>90</sup> Decision 19-08-034, Attachment 2, Data Form, Tab D.

<sup>91</sup> Section G, Modifiable Terms and Conditions, p. 25.

<sup>&</sup>lt;sup>92</sup> Large commercial customers do not fall within the CPUC's definition of HTR customers.

<sup>93</sup> Attachment 10, Table 7, Customer Incentive Structure, p. 87.

<sup>94</sup> Attachment 8, Table 4, Key Performance Indicators, pp. 77-79.

<sup>95</sup> Implementation Plan Template, Version 2, p. 5, dated January 2020.

## • Disadvantaged Worker (DAW) Plan

Per the Contract, the specific DAW Plan will be presented in the final IP. Since the IP will be drafted after contract execution, it is important for the CPUC's ED to review specific DAW requirements detailed in the final IP to confirm compliance with applicable CPUC directives. The Contract also lists various DAW-related contractual obligations, such as tracking and reporting DAW activities. 96

### Workforce Standards Policy

The Contract requires the implementer, and its subcontractors, to comply with the CPUC's workforce standards related to HVAC and advanced lighting controls installations. 97 However, the latter is not relevant to the gas-only EE Program.

## Deep and Persistent Energy Savings

The Large Commercial Program will offer a measure mix which includes longer-lived measures. Approximately 65% of the forecasted EE savings will have an effective useful life of 5 years or longer. With the Program's focus on comprehensiveness, it is reasonable to expect the Program will deliver deep and persistent energy savings for its participants.



<sup>96</sup> Reporting and Tracking Disadvantaged Worker and Job Creation, p. 54.

<sup>97</sup> Part B, Modifiable Terms and Conditions, Section A.1, p. 20.

# Supporting Portfolio and Sector Metric Achievement

SoCalGas' 2019 Annual Budget Advice Letter provides a list of all CPUC-approved portfolio and sector metrics. These metrics include a baseline year (2016) of results and a forecast of expected performance which extends through 2025. The Program's focus on large commercial customers should produce an increase in the large commercial customer participation levels over previous years which supports sector metrics #139 through #187. These metrics encourage improvement of a variety of different performance indicators over previous program years such as higher levels of EE, greater customer participation, and improved levelized cost.

# Viable EE Measure Mix and Approaches

The Large Commercial Program will offer viable EE measures. The Program's energy savings forecast is based on a combination of energy savings derived from direct install, deemed, customized, and NMEC approaches. As stated previously, the IOU's subject matter experts reviewed the program's measure mix and found no significant issues with the final mix. Special care will be taken by the Program to avoid potential customer double-dipping of program incentives with SoCalGas' midstream commercial offerings. 100 Also, the program should be continuously monitored against the very dynamic landscape of commercial office buildings in light of the ongoing pandemic.

# Compliance with CPUC M&V Requirements

The program consists of deemed, customized, and NMEC energy savings. During contract negotiations SoCalGas sought a greater level of detail regarding Willdan's proposed program M&V approach. In response, Willdan provided a detailed outline of their upcoming M&V plan. After reviewing the M&V approach, the IOU believed it was consistent with the CPUC's direction. The IE concurs. The executed contract requires that a full M&V plan be prepared by the implementer 30 days after contract execution and be included in the final IP due 60-days after CPUC approval on the executed contract. There should be an active review of the of M&V Plan, by CPUC EM&V staff, to confirm the appropriateness of the data collection plan in support of future EM&V studies.

#### Enovity

The IE supports the IOU's selection of Enovity's RCx+ Large Commercial Program. The Program provides a new and innovative approach that, if successful, could provide participating customers with significant energy savings and capture cheaper energy savings for ratepayers than previous retrocommissioning efforts. Enovity received the fourth highest score at both the RFA and RFP stages. The selected Enovity's RCx+ Large Commercial Program provides a niche in the market, while complementing Willdan's Large Commercial Program, which will serve all the commercial sector. The program focuses exclusively on operational energy savings using a population-level NMEC approach and, if successful, could be applied to other customer groups thus realizing additional energy savings that may otherwise go uncaptured.

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<sup>99</sup> Advice 5349-A, Appendix B, dated October 29, 2018.

<sup>100</sup> Schedule A, Term 49, p. 12.

## Program Description

Enovity's Service RCx+ Program provides population-level, NMEC-based energy savings through the direct implementation of RCx and optimization services for Large Commercial facilities throughout the SoCalGas service territory. The specific segments of Commercial Office, Health Care, and Laboratories will be prioritized. The implementer services will include the following:

- Facility targets will be screened for program participation using interval data analytics.
- Turnkey implementation of RCx and optimization of facility operations.
- Individual project savings will be measured and verified following the initial treatment by comparing actual energy consumption over a reporting period with a NMEC baseline model specific to the facility.
- Energy data and analytics will be used during the performance maintenance period to
  ensure persistence, detect unexpected changes, and (if necessary) coordinate with facility
  personnel to provide additional training and/or corrective action.
- Option for customers to implement capital intensive measures beyond RCx to achieve comprehensive NMEC savings. For this option, Enovity will provide the development services needed to make a business case for investment, specify the scope for procurement, connect the client with funding sources, and provide technical support during implementation.

## Program Overview

The table below provides a summary of the key quantitative metrics drawn from the executed program contract between SoCalGas and Enovity.

Table 5.2a: Proposed Program – Overview				
Item	Amount (Total Contract Period)	SoCalGas 2021 Annual Budget Advice Letter – Commercial Sector (2021 only)		
Total Budget (4-Year)				
Total Net Therms (Annualized)	1,073,250	4,340,000 (2021 only)		
TRC test	1.25	1.13* (2021 only)		
Cost per Therm (\$/Therm, Net Annualized)	\$2.47	\$6.76		
DACs (% Energy Savings)	0%	Not presented		
HTR Customers (% Energy Savings)	n/a	n/a		
DBE (% of Contract Value)	0%	Not presented		
* – portfolio level				

#### Alignment with Key EE Policies

The following discussion addresses the specific attributes of the selected program and the alignment with key EE policies.

#### Cost-Efficiency – Simple Acquisition Cost

The Service RCx+ Large Commercial Program cost-per-therm forecast is far better than the SoCalGas' 2021 Commercial sector program forecasts as presented in the IOU's 2021 Annual Budget Advice Letter. Simple acquisition cost is an indicator of a program's cost-efficiency (i.e., the price tag of a therm). It is a quick, convenient way to compare programs across a program portfolio. The calculation does not consider the longevity of the annualized energy savings. The total program

cost is divided by the program's expected total first year net annualized energy savings. Also, the expected cost-per-therm for the IOU's 2021 commercial sector forecasts includes all commercial programs including statewide mid-stream programs, statewide downstream programs, and local commercial programs including those targeting large commercial customers. Nevertheless, the expected program is expected to be more cost efficient in the delivery of program results than the 2021 commercial offerings, in aggregate.

#### Program Performance

The Service RCx+ Large Commercial Program is expected to achieve a total 1,073,250 net therms of annualized energy savings over the Contract term. Over the next three years, SoCalGas' EE portfolio goals increase by 31 percent over 2020 levels. <sup>101</sup> The Service RCx+ Large Commercial Program is expecting an increase in energy savings results over 2021 levels to help support the IOU in meeting the increase in its portfolio-level EE goals, as presented in the table below.

Table 5.2b: Program Energy Savings Goals					
First-Year Annualized 2021 2022 2023 2024 Total Deliverable					
Net Therm Savings	159,389	359,249	359,748	194,864	1,073,250

#### Cost-Effectiveness Showing

The Service RCx+ Large Commercial Program's cost-effectiveness showing is better than the SoCalGas' 2021 program portfolio forecast, as shown in Table 5.2.1. This improved, cost-effective showing will help the IOU meet its future obligations in the coming years to present to the CPUC a portfolio-level cost-effectiveness forecast that meets or exceeds a TRC ratio of 1.25. The program's forecast was confirmed by SoCalGas' engineering and program staff. However, the IOU and Enovity had discussions regarding whether the CPUC would support the application of population-level NMEC across a commercial customer group with a limited population. Nevertheless, the prospective cost-effectiveness showing does support the notion that third-party program implementers can help improve the cost-effectiveness of the IOU's overall program portfolio.

#### IDSM

Enovity's Service RCx+ Large Commercial Program does not have any IDSM features.

# Disadvantaged Communities (DACs)

Enovity proposed no specific DAC goals. During contract negotiations, the IOU encouraged the bidder to consider DAC outreach and a corresponding goal, but Enovity preferred not to assign a goal or have any specific outreach or additional offering for these customers. Enovity presumes that, as the Program seeks customer participation, some of these customers will be located in DACs.

## Disadvantaged Worker (DAW) Plan

Per the Contract, the specific DAW Plan will be presented in the final IP. Since the IP will be drafted after contract execution, it is important for the CPUC's ED to review specific DAW requirements detailed in the final IP to confirm compliance with applicable CPUC directives. The Contract also lists various DAW-related contractual obligations, such as tracking and reporting

<sup>101</sup> Decision 19-08-034, Attachment 2, Data Form, Tab D.

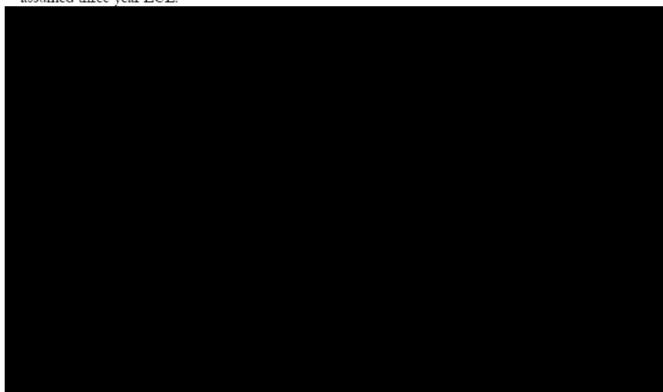
DAW activities. 102

# Workforce Standards Policy

The Contract requires the implementer, and its subcontractors, to comply with the CPUC's workforce standards related to HVAC and advanced lighting controls installations. 103 However, the Program does not propose to install any equipment as part of the offering to customers.

## Deep and Persistent Energy Savings

The Service RCx+ Program provides population-level, NMEC-based energy savings through the direct implementation of RCx and optimization services. As a result, the assumed effective useful life (EUL) of these services are no more than three years. Thus, the program does not offer persistent energy savings, but the implementer believes the energy savings will persist beyond this assumed three-year EUL.



# Supporting Portfolio and Sector Metric Achievement

SoCalGas' 2019 ABAL provides a list of all CPUC-approved portfolio and sector metrics. 105 These metrics include a baseline year (2016) of results and a forecast of expected performance which extends through 2025. The Program's focus on large commercial customers should produce an increase in the large commercial customer participation levels over previous years which supports sector metrics #139 through #187. These metrics encourage improvement of a variety of different performance indicators over previous program years such as higher levels of EE, greater customer

<sup>102</sup> Reporting and Tracking Disadvantaged Worker and Job Creation, p. 51.

<sup>&</sup>lt;sup>103</sup> Part B, Modifiable Terms and Conditions, Section A.1, p. 20.

Advice 5349-A, Appendix B, dated October 29, 2018.

participation, and improved levelized cost.

### Viable EE Measure Mix and Approaches

The Service RCx+ Large Commercial Program will offer population-level, NMEC-based energy savings through the direct implementation of RCx and optimization services. Although permissible per the CPUC NMEC Rulebook, this approach has never been attempted with these targeted customer groups. As a result, Enovity, the IOU, and the CPUC's ED staff should work closely in the development of the program's M&V Plan. Furthermore, the IOU should facilitate discussions with Enovity and Willdan directed at developing a seamless delivery of additional EE incentives and services for Enovity's customers by Willdan. In the upcoming years, active and open coordination of program implementers will be an essential task for the IOU's portfolio administrator role.

### Compliance with CPUC M&V Requirements

The program consists exclusively of population-level NMEC energy savings. During contract negotiations SoCalGas sought a greater level of understanding of Enovity's approach to comply with the CPUC's NMEC requirements. In response, the bidder explained that the program met the CPUC's threshold for population level NMEC. <sup>106</sup> Thus, the advice letter need not contain a specific M&V plan for CPUC review and approval. In any event, Enovity, the IOU, and the CPUC ED should coordinate during the development of the M&V Plan.

The executed contract requires that a full M&V plan be prepared by the implementer 30 days after contract execution and be included in the final IP due 60-days after CPUC approval on the executed contract. There should be an active review of the of M&V Plan, by CPUC EM&V staff, to confirm the appropriateness of the data collection plan in support of future EM&V studies.

#### 6. Overall Assessment of Solicitation

#### Willdan

The solicitation was conducted fairly, transparently, and without bias. SoCalGas effectively managed its solicitation although it should have allotted more time for contract negotiations. The PRG provided timely input and actively engaged with the IOU throughout the solicitation. The IE monitored all aspects of the solicitation from RFA development through contract execution. The IE and the PRG provided recommendations on various aspects of the solicitation and recommendations that were mostly incorporated by the IOU into this solicitation and/or will be in future solicitations.

Willdan will also deliver a similar program to SCE customers. There could be lost EE opportunities with customers due to differences in Willdan's respective compensation structures with the IOUs. Since SoCalGas and SCE serve many of the same customers, these IOUs should coordinate with Willdan and each other to identify greater efficiencies in their program delivery.

In sum, SoCalGas' local large commercial sector solicitation resulted in a program that will contribute to the IOU's achievement of its CPUC EE goals and associated portfolio and sector metrics. In the coming years, the program will also help the IOU present a program portfolio that

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<sup>106</sup> At least 90% confidence / 25% range Fractional Savings Uncertainty (FSU) as calculated using ASHRAE methods at the daily level, or using other methods that achieve at least the same levels of Certainty, NMEC Rulebook, Version 2.0, p. 12, dated January 7, 2020.

can meet the CPUC's cost-effective threshold requirements.

#### **Enovity**

The solicitation was conducted fairly, transparently, and without bias. SoCalGas effectively managed its solicitation although it should have allotted more time for contract negotiations. The PRG provided timely input and actively engaged with the IOU throughout the solicitation. The IE monitored all aspects of the solicitation from RFA development through contract execution. The IE and the PRG provided recommendations on various aspects of the solicitation and recommendations that were mostly incorporated by the IOU into this solicitation and/or will be in future solicitations.

Enovity's program focuses exclusively on RCx and operational energy savings based on a population-level NMEC approach. Since Willdan will provide a complete offering including customer incentives on EE retrofits, the IOU should collaborate with the two implementers on how to best serve Enovity's niche participants with both programs. Further, the IOU, Enovity, and CPUC's ED should discuss and review Enovity's proposed approach to population-level NMEC for the targeted customer group in order to continue to meet the requirements set forth in the CPUC's NMEC Rulebook<sup>107</sup> in the event the requirements change and/or are clarified in the future.

In sum, SoCalGas' local large commercial sector solicitation resulted in a program that will contribute to the IOU's achievement of its CPUC EE goals and associated portfolio and sector metrics. In the coming years, the program will also help the IOU present a program portfolio that can meet the CPUC's cost-effective threshold requirements.

### 7. Implementation Plan Assessment

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

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<sup>107</sup> Section II.2.C Program Design Criteria, p. 12.

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

# **Local Agricultural Program**

Reporting Period: October 2020 through March 2021

Prepared by: MCR Corporate Services



Disclaimer: This report includes highly sensitive and confidential information.

# **Local Agricultural Program**

### 1. Solicitation Overview

#### 1.1. Overview

This report covers the second of SoCalGas' two agricultural solicitations. The first solicitation was focused on small and medium agricultural customers, which SoCalGas defines as customers whose maximum annual demand is less than or equal to 50,000 therms. The was publicly launched on January 14, 2019 with responses due February 25, 2019. However, response to the solicitation was poor. SoCalGas received only three abstracts, one of which was screened out due to being incomplete, leaving only two abstracts to be scored. Scores for the two abstracts were so weak that SoCalGas cancelled the solicitation with the intent of releasing an over-arching solicitation for the Agricultural segment at a later date. This second solicitation is discussed below.

#### a. Scope

The second solicitation, launched in mid-2019, welcomed abstracts from qualified bidders to propose, design, implement, and deliver an innovative, resource-based program(s) that provides comprehensive, long-term natural gas EE results for existing agricultural customers (with no customer size restriction).

Agricultural customers are defined by energy consumption and by customer size. <sup>109</sup> The total agricultural sector usage represents approximately 2% of the total SoCalGas usage and less than 4% of the total nonresidential customer load. Agricultural customers operate within a diverse set of segments throughout the service territory.

This solicitation encourages the exploration of all relevant delivery channels and program strategies, such as direct install and incentives, to produce a cost-effective program to maximize natural gas efficiency savings for the agriculture customer market. SoCalGas prefers program offerings that include all Agricultural customers with a tailored approach for the very small, small, and medium customers. SoCalGas also encourages program designs that are coordinated with other electric and/or water efficiency programs offered by other entities and requires adherence to the CPUC decision on workforce standards, 110 where applicable.

Each response to this solicitation must propose a natural gas-focused resource Program.<sup>111</sup> In addition, Bidders may propose optional programs that include technology solutions that save water and/or electricity. Although SoCalGas is striving to develop agreements with electric and water utilities, these agreements are not yet in place for this program and thus implementation of a gas/electric, gas/water, or gas/electric/water program may not be possible. If the Bidder has an existing relevant agreement with an electric and/or water service provider that the Bidder proposes to incorporate as part of the proposed Program, the Bidder shall provide proof of the agreement. Evidence of such agreements can improve a Bidder's chances of being selected for Stage Two. Abstracts must clearly distinguish between gas, electric, and water elements (unless a single

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<sup>&</sup>lt;sup>108</sup> SoCalGas 2018-2025 Energy Efficiency Business Plan, January 17, 2017, (Table 7 – Energy Consumption by Customer Size), at p. 120.

<sup>109</sup> Id., at p. 120.

<sup>110</sup> D.18-10-008 OP 1, at pp. 76-77.

<sup>&</sup>lt;sup>111</sup> RFA 101409 – Agricultural Request for Abstract, Southern California Gas Company (SoCalGas RFA), February 21, 2020, at p. 13.

technology covers gas and another resource) so that SoCalGas can evaluate based on the gas-centric components.

Innovation is an important aspect of this RFA. Bidders must describe how their program is innovative, whether through marketing, delivery methods, incentive design, the targeting of certain customer and market segments, and/or application of best practices that are used to achieve reliable energy savings. For the purposes of this solicitation, SoCalGas and key stakeholders have agreed that, to be "innovative," the proposal must demonstrate that the program will ultimately increase the uptake of cost-effective EE by advancing a technology, marketing strategy, or delivery approach in a manner different from previous efforts. 112

### b. Objectives

This RFA aims to solicit innovative, primarily resource-based program ideas to address various segment barriers and drivers identified in SoCalGas' business plan and targets all Agricultural customers. The selected bidder will assist SoCalGas in the achievement of various portfolio and sector metrics, 113 through comprehensive tactics which may include but are not limited to:

- Providing simple/low-cost EE retrofits;
- Requiring customer co-pays for comprehensive/higher cost EE retrofits;
- Leveraging available financing options to fund project co-pays (e.g., On-Bill Financing etc.);
- Partnering with local contractors and vendors; and/or
- Partnering with local small business organizations and community-based organizations.

Interested bidders may submit abstracts that address all, or a subset of, agricultural sector customers in SoCalGas' service territory. Abstracts should 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, business size, distribution system needs, HTR status, and members of DACs.

Bidders should consider the following agricultural sector challenges:

- Considerable number of small agricultural customers lack technical and financial resources.
- The agriculture sector has competing priorities that overshadow energy efficient investment opportunities.
- A diverse agricultural sector base makes it difficult to offer standard programs that fit the needs of all customers within and among segments.

### 1.2. Timing

Table 1.2 details the milestones for the SoCalGas Agricultural solicitation. The contract was executed in December 2020, but SoCalGas delayed the filing of its Advice Letter until late February 2021 (no reason was given). The CPUC's ED provided questions regarding the Advice Letter to SoCalGas during March 2021. SoCalGas responded in late March. As of the end of this reporting period, approval of the Advice Letter was still forthcoming.

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<sup>112</sup> Id., at pp. 16-17.

<sup>113</sup> SoCalGas' Portfolio and Sector-Level Metrics Compliance Filing, at p. 86-88.

Table 1.2: Key Milestones			
Milestones	Completion Date		
RFA Stage			
Solicitation Launch	February 21, 2020		
Bidders' Conference	March 3, 2020		
Offer Submittal Deadline	April 3, 2020		
RFA Shortlist to PRG	June 2, 2020		
Shortlisting Notification	June 8, 2020		
RFP Stage			
Solicitation Launch	June 12, 2020		
Bidders' Conference	June 23, 2020		
Offer Submittal Q&A Period	Round 1 through June 26, 2020		
	Round 2 through July 8, 2020		
Offer Submittal Deadline	July 24, 2020		
RFP Shortlist to PRG	October 6, 2020		
Shortlisting Notification	October 13, 2020		
Contracting Stage			
Contracting and Negotiations Period	October 21 – December 10, 2020		
Contracts Presented to PRG	December 1, 2020		
Contract Execution	December 14, 2020		
Advice Letter Filed	February 26, 2021		

# 1.3. Key Observations

Table 1.2 represents a collection of key IE issues, observations, and outcomes, where applicable, from the assigned IE.

	Table 1.2: Key Issues and Observations					
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)			
Bidder's Conference	SoCalGas provided excellent background on the solicitation and the process.	This should be considered best practice. It is very helpful information and provides a good foundation	No response required.			
		for any new market entrants.				

	Table 1.2: Key Issues and Observations						
Торіс	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)				
Evaluator Training	Evaluator training was remote due to the shelter in place. Mock exercises were not designed to be done remotely so adjustments had to be made.	Develop a mock exercise that is designed for remote training for future solicitations in case training needs to continue to be conducted remotely.	SoCalGas adjusted its training process to conduct a meaningful mock exercise and has accepted the action item to work on a mock exercise that can be completed remotely.				
Cure Process	SoCalGas includes a statement in the RFA reserving its right to request clarifications from bidders, even though the RFA clearly states that, "SoCalGas will not seek corrections and/or improvements to the bidder's Proposal."	The IE recommended that SoCalGas develop a curing process to determine under what conditions SoCalGas would seek, or not, clarifications.	SoCalGas has indicated they will only have a curing process for the CET files and not for the proposal package.				

### 2. RFA Bidder Response and Selections

Development activities for SoCalGas' Ag RFA were reported in the November 2019 through March 2020 Semi-Annual Report.

## 3. RFP Bidder Response and Selections

Development activities for SoCalGas' Ag RFP were reported in the April 2020 through September 2020 Semi-Annual Report.

# 4. Contracting Process

# 4.1. Contract Negotiations

SoCalGas selected ICF Resources, Inc. (ICF) and its Agricultural Energy Efficiency (**AgEE**) Program for negotiations. Contract negotiations began in October 2020 with a kick-off meeting. The meeting consisted of three parts:

- SoCalGas presented an overview of the contract negotiation process, including objectives & outcomes, negotiations schedule, and contract details.
- ICF presented its proposal, including program budget, measures, customer data security protocols, KPIs, and previewed its modifications to the T&Cs.

SoCalGas teed up a discussion of next steps.

#### a. Collaboration on Final Program Design and Scope

The draft final contract between ICF and SoCalGas was finalized on November 25, 2020, after just five weeks of negotiations. 114 Considering the fast pace of negotiations, the process went rather smoothly, even if it did not go according to plan.

SoCalGas intended for the negotiations to conclude on November 13, which would give the IE until November 20 to review the contract. That would leave three days for any revisions necessitated by comments from the IE before uploading the final draft contract for the PRG on November 25. Instead, negotiations and fine-tuning of the contract continued until late on November 25. The IE still had the same amount of time to review the contract in its complete form, except for the numbers needing fine-tuning, from November 17–23.

During the November 3, 2020 PRG meeting the IE expressed concerns about SoCalGas' very aggressive negotiations schedule. The IE's concerns were the possibilities of ICF having less time than desired to deliberate or of finding itself in a position where it felt compelled to agree to conditions it would otherwise reject just to keep SoCalGas on schedule. The IE felt that a contractor should not be responsible for ensuring that an IOU meets its goals.

At the November 4 negotiations meeting, in response to the IE's concerns, SoCalGas invited ICF to advise it if they were feeling pressured due to the limited timeline of the negotiations. However, at no time during negotiations did ICF express concern about the schedule or indicate that it was not being allowed sufficient time to respond to SoCalGas.

Ultimately, it does not appear that ICF's negotiation efforts were negatively impacted by the aggressive schedule. In addition, this appears to have been a one-time incident brought about by SoCalGas' need to meet its CPUC-defined schedule.

#### b. Fairness of Negotiations

Overall, the negotiations were professional, transparent, and fair. SoCalGas' decision to provide ICF with contract documents and a series of clarifying questions one week before the kick-off meeting served to kick-start the negotiations by driving both parties to address the most important issues right away. Once those issues were settled, it was easier for both parties to concentrate on the smaller details needed to align the budget and goals with the program plan.

SoCalGas jumpstarted the negotiations process by providing an entire draft contract package to ICF a week before the October 29, 2020 Kick-Off Meeting. The draft contract package included a list of more than two dozen comments and questions to ICF regarding its proposal. This allowed ICF to begin negotiations by responding to the question and, at its discretion, modifying the proposal documents prior to the Kick-Off Meeting.

#### c. Changes to Contract Terms & Conditions

ICF and SoCalGas made changes to the CPUC's modifiable terms and conditions, as detailed in Table 4.1.

<sup>&</sup>lt;sup>114</sup> Based on October 21, 2020 start date, when SoCalGas sent ICF the initial Ag contract package for review, to November 25, 2020.

Table 4.1: Changes Made to CPUC Modifiable Terms and Conditions				
Section of CPUC Modifiable Terms and Conditions	Change(s) Made			
Section A.2 – Quality Assurance	Added that Quality Assurance Procedures were to be			
Procedures	documented in Contractor's Program Manual.			
Section B.2 – Key Performance Indicators	Changed reference to Attachment 8 to Attachment 7.			
Section C.1 – Term	Specified that contract term is for 3 years from the date			
	CPUC Approval occurs.			
Section E.1 – Payment Terms	Specified that payment terms shall be in accordance with			
	Schedule C and that ICF shall be compensated for savings			
	delivered in excess of 100% of the savings goal at the same			
	Fixed Unit Price.			
Section E, Table 1 – Payment Terms	Finalized values in "Proportion of Total Contract Value"			
	and "Contract Value by Category" columns.			
Section G – Coordination with Other	Changed references to specific other Program			
Program Administrators	Administrators to "if applicable."			
Section H.2.b – Program Intellectual	Moved language regarding "contractor's pre-existing			
Property	materials" to Section H.2.c and expanded the description of			
	those materials.			
Section I.1 – Modification or Termination	Created Section I and included language regarding program			
for Contractor's Reasons	modification or termination made by the contractor.			

### d. Conformance with CPUC Policies and Objectives

The contracted budget and goals are very similar to what ICF proposed. The greatest changes from proposal to contract were an increase in the number of measures offered through the program and the number of units to be installed. Other changes from the proposal include an increase in the HTR target from 5% to 21%, the addition of a direct install component, and an incentive (by way of a KPI) for ICF to seek outside program funding via partnerships and/or grants.

Table 4.2 summarizes the alignment of the AgEE Program with CPUC Policies and Objectives.

Table 4.2: AgEE Program – Alignment with CPUC Policies and Objectives					
Element/Requirement	Yes	No	IE Comments		
The contract includes all CPUC standard and modifiable contract terms.	ü		Included modifications that make the terms and conditions more specific to the <b>AgEE</b> 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 third-party implementer EE programs.	ü		Modifications made by SoCalGas serve to make the terms and conditions more specific.		
As required, SoCalGas included standard contract language requiring ICF to coordinate with other program administrators in the same geographic area.	ü		Included Section G from Required Modifiable Terms and Conditions.		
As required, SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/RFP Guidelines, in the development of the contract.	ü		SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/RFP Guidelines, in the development of the contract.		

Table 4.2: AgEE Program – Alignment with CPUC Policies and Objectives					
Element/Requirement	Yes	No	IE Comments		
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?	ü		Included in Section 26 of Schedule A.		
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?	ü		Included in Section 12.3 of Schedule A.		
Does the contract address: KPIs, other performance matrix (e.g., innovation, etc.), payment terms, program-level M&V requirements (including the use of NMEC), and include a DAW plan?	ü		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?	ü		Overall, SoCalGas stayed true to its established process.		
Was the final contract based on the proposed program?	ü		The final contract was based on the proposed program, except for the following features that were included in the Program during negotiations:  Increased measure installation quantities.  Increased HTR target goal (from 5% to 20%).  Decreased measure costs.  Addition of a direct install component.  Introduction of a research grant component.  Negotiation of the contractor compensation rate.		
Does the final compensation structure match the proposed structure?	ü		The contract reduced the emphasis on fixed unit and fixed-fee pricing and moved towards a greater emphasis on custom project pricing.		

Table 4.2: AgEE Program – Alignment with CPUC Policies and Objectives					
Element/Requirement	Yes No IE Comments				
Do the final budget and savings goals match those of the proposed program?	ü		The final total budget matches the proposed total budget, although there are changes in some of the component costs. For example, the marketing and outreach costs were reduced by two-thirds due to an increase in measure installation quantities, decrease in measure costs, and the addition of a direct install component. Contracted therm and kWh savings are about 3% higher and 9% lower, respectively, than proposed. Contracted water savings are more than double proposed.		
Does the final cost effectiveness match that of the proposed program?	ü		Final TRC (1.26) is just higher than proposed (1.22).		
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.)	ü		Expectations were discussed at the Negotiations Kick-Off Meeting and all subsequent communications were proper and conducted with the IE monitoring.		

#### 4.2. Contract Execution

SoCalGas presented the draft contract to the PRG at its December 1, 2020 meeting. Because it had presented three draft contracts to the PRG for review at that meeting, SoCalGas held optional phone-in "office hours" for PRG members having questions on the draft contracts. The office hour for the Ag contract was on December 4.

Few PRG members availed themselves of this opportunity, but those who did had their questions answered fully and in real-time. The IE feels that, despite low participation by PRG members, this was a valuable option. However, office hours would typically not be necessary for normal solicitation timelines. In this case, there were three contracts that the PRG had been asked to review within a short period and the office hours put all of SoCalGas' Solicitations Team in one place simultaneously, so virtually any question could be answered in real-time.

The final contract was executed by SoCalGas and ICF on December 14, 2020 and SoCalGas filed its Advice Letter on February 26, 2021. The CPUC's ED provided questions regarding the Advice Letter to SoCalGas on March 17, 2021. SoCalGas responded in late March. As of the end of this reporting period, approval of the Advice Letter was still forthcoming.

## 4.3. PRG and IE Feedback to Contracting

The IE's only feedback on the contracting effort was SoCalGas' aggressive negotiation schedule. However, as explained above, ICF was not troubled by the schedule. Since this appeared to be a one-time issue, the IE's only recommendation was that IOUs need to avoid situations where they force implementers to bend to their schedule and that implementers be made aware that they can push back on overly aggressive IOU schedules.

The PRG posed several questions to SoCalGas about the contract, with most being requests for clarification on figures presented in the contract.

#### 5. Assessment of Final Contract

### 5.1. Bid Selections Respond to Portfolio Needs

The **AgEE** Program supports SoCalGas' portfolio by combining the features of SoCalGas' three current agricultural programs. The **AgEE** Program contains the informational component of the Agricultural Energy Advisor Program and the incentivized EE measures of the Agricultural Calculated Energy Efficiency and Agricultural Deemed Energy Efficiency Programs. The **AgEE** Program's measure mix includes pipe insulation, greenhouse environment measures, heat recovery measures, infrared space heating, process pump VFDs, steam traps, and tank insulation. The **AgEE** Program also includes free or low-cost direct install measures for DAC/HTR operations that help ICF introduce EE to these customers.

### 5.2. Bid Selections Provide the Best Overall Value to Ratepayers

SoCalGas selected ICF's **AgEE** Program for contracting after an intensive and comprehensive solicitation process. To make its final decision, SoCalGas considered all aspects of Cascade Energy's and ICF's submittals.

#### 6. Overall Assessment of Solicitation

SoCalGas conducted the Agricultural solicitation fairly, transparently, and without bias. As noted in this Report, the overall process for the solicitation from RFA documents to contract negotiations was transparent and effectively run. SoCalGas effectively ran the processes for internal bid scoring as well as PRG and IE review of all steps in the process. SoCalGas also made good use of lessons learned from earlier solicitations.

The one area SoCalGas should not try to replicate in future solicitations is to attempt to complete negotiations within such a short timeframe. While there were no complications during these negotiations, even the smallest glitch could have derailed SoCalGas' schedule.

Overall, the Agricultural solicitation resulted in a program that will enable SoCalGas, its agricultural customers, and the State in general to benefit from the more efficient energy use by agricultural customers of all sizes, including greenhouse/controlled environment growers, field crops and associated on-farm processing, dairies and co-located milk processing, vineyards, and wineries. ICF's *AgEE* Program will help SoCalGas cost effectively achieve its energy savings goals while also fulfilling the metrics documented in its ABAL filing.

### 7. Implementation Plan Assessment

The IP has yet to be developed. It will be reported on in the next Semi-Annual Report.

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

# **Local Behavioral Program**

Reporting Period: October 2020 through March 2021

Prepared by: Apex Analytics, LLC



Disclaimer: This report includes highly sensitive and confidential information.

# **Local Behavioral Program**

#### 1. Solicitation Overview

This Report covers the activities associated with the Behavioral Program solicitation for the period of October 2020 through March 2021. During this period, SoCalGas completed the RFP design, launch, scoring, and shortlist. In response to IE and PRG recommendations, the RFP was conducted with two solicitations separated by sector (residential and commercial). This approach allowed for providing different background information, sector specific approaches, and workplans. The IE reviewed and commented on the RFPs, bidder webinar materials, responses to bidder questions, and scoring training materials; monitored the pass-fail threshold assessment; conducted independent scoring, and monitored the calibration and shortlist discussions.

#### 1.1. Overview

The objective of this solicitation is for the EE industry to collaborate with SoCalGas in offering an innovative and cost-efficient program for continuing and expanding the existing residential Behavioral Program and developing a cost-effective commercial Behavioral Program.

#### a. Scope

This solicitation targeted both residential and commercial customers for cost-effective Behavioral programs that meet the CPUC definition of Behavioral Programs: (1) must employ comparative energy usage and disclosure, (2) must be measured ex post, and (3) must utilize an experimental design (Random Control Trial, or RCT, design). The solicitation scope outlined these CPUC requirements, but also encouraged innovation to drive cost-effective therm savings. This solicitation encouraged the exploration of all relevant delivery channels and program strategies to produce a cost-effective program to maximize natural gas efficiency savings. Program RFA abstracts were requested to address residential or commercial or both sectors for a natural gas-focused resource program and invited bidders submitted proposals for one or both of the RFP solicitations.

#### b. Objectives

The solicitation is based on the goals identified in SoCalGas' approved business plan;<sup>115</sup> the solicitation is designed to promote behavioral-related EE solutions through intelligent outreach, expanding to more customers and using innovative approaches to increase therm savings over historical programs.

#### 1.2. Timing

The Behavioral solicitation is generally on schedule as planned. The Behavioral RFA was released in August 2020 and the RFP was released in January 2021 with an anticipated program launch in the fourth quarter of 2021. RFA screening, scoring, and calibrating all occurred in October 2020, with a RFA Shortlist released on October 28, 2020. The RFP development took place in December 2020 and January 2021, with the RFP launch mid-January and the proposal selection at the end of March 2021. The detailed timing of the Behavior Program solicitation is outlined in the table below. Table 1.2 outlines key milestones for this solicitation.

<sup>115</sup> https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas\_Business\_Plan-1.17.17-FINAL.PDF

Table 1.2: Key Milestones				
Milestones	Completion Date			
RFA				
RFA Released	August 21, 2020			
Optional Bidder Web	September 2, 2020			
Conference	September 2, 2020			
Questions Due from	September 0, 2020			
Bidders	September 9, 2020			
Responses Provided by	September 16, 2020			
Company	September 10, 2020			
Bidder Abstracts Due	September 25, 2020			
RFA Scoring	September 30–October 26, 2020			
RFA Calibration Meetings	October 23–24, 2020			
RFA Shortlist Meeting	October 28, 2020			
RFP				
RFP Development	December 4, 2020-January 13, 2021			
RFP Launch	January 15, 2021			
Bidders Conference	January 21 & 27, 2021			
Bidder Q&A	February 5, 2021			
Residential RFP Scoring	March 17-18, 2021			
CET Feedback to Bidders	March 4 and 12, 2021			
Commercial RFP Scoring	March 23, 2021			
Proposal Selection	March 29 and 31, 2021			
Negotiation & Contracting	May 4, 2021-July 30, 2021			
Anticipated Program	Q4 2021			
Launch	Q4 2021			

# 1.3. Key Observations

In general, the solicitation process through the RFA release and scoring has been transparent and well-managed by SoCalGas. The RFP process was conducted in a transparent, fair, and equitable manner. SoCalGas allowed for IE input into every step of the process and integrated feedback where relevant. Table 1.3 outlines key issues and observations during this period.

	Table 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes	
RFA Stage - Scoring				

Table 1.3: Key Issues and Observations				
Topics	Key Observations	IE Recommendations	Outcomes	

	Table 1.3: Key	y Issues and Observations	
Topics	Key Observations	IE Recommendations	Outcomes
	0.010		
Shortlist Selection	SoCalGas shortlist	SoCalGas should consider these	New recommendation,
	discussions resulted in	outcomes in setting future	pending IOU consideration.
	SoCalGas deciding not to limit the Residential	scoring weights and metrics to	consideration.
	selection to only the top	align the scoring metric with the desired outcome.	
	bidder and to propose	desired outcome.	
	the second ranked		
	bidder in the		
	Commercial selection.		
	The PRG requested		
	more information about		
	the Commercial process		
	and recommended		
	resolving SoCalGas'		
	concerns with the top		
	ranked proposal through		
	the negotiation process,		
	which SoCalGas has		
	decided to do. While the		
	IE understood		
	SoCalGas' concerns		
	with the top bidder, we		
	are supportive of		
	pursuing contract		
	negotiations to resolve		
	these concerns.		

### 2. RFA Bidder Response and Selections

### 2.1. RFA Development

RFA development was reported in the November 2019 through March 2020 Semi-Annual Report.

### 2.2. RFA Outreach

RFA outreach was reported in the November 2019 through March 2020 Semi-Annual Report.

### 2.3. RFA Bidders' Conference

The RFA Bidders' Conference was reported in the November 2019 through March 2020 Semi-Annual Report.



The solicitation response is summarized in Table 3.1.

	nse
	Number
Bidders Registered	
Bidders Accessing RFA	
Abstracts Received	
Abstracts Disqualified	
Redundant Abstracts	
Complete and Eligible Abstracts	

#### 2.5. Abstract Selection Process

#### a. Bid Screening Process and Management of Deficient Bids

SoCalGas performed a threshold assessment in which the Company evaluated abstracts to ensure bidders provided all required information and were eligible for scoring. Then, the SoCalGas supply team reviewed proposals to ensure they were eligible based on the minimum RFP requirements.

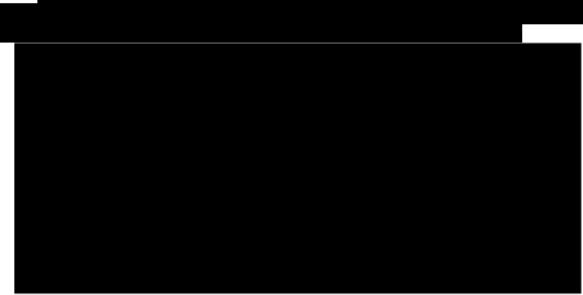
### b. Evaluation Team Profile

SoCalGas conducted scorer training for the RFA on September 23, 2020, which included detailed information on the scoring rubric, weights, and FAQs. The IE provided input into the scorer training materials and attended the session. In both cases, the scoring training was well attended and was useful for discussing scoring approaches and aligning expectations across the organization. The

training provided helpful overviews of general processes and each scorecard item. In addition, SoCalGas requested that reviewers attest there was no Conflict of Interest related to performing their evaluation responsibilities; there were no conflicts of interest reported by scorers.

#### c. Scoring Rubric Design

SoCalGas' evaluation criteria (scoring rubric) and associated weightings for the RFA stage was generally consistent with CPUC direction and the Company's approved Business and Solicitation Plans.



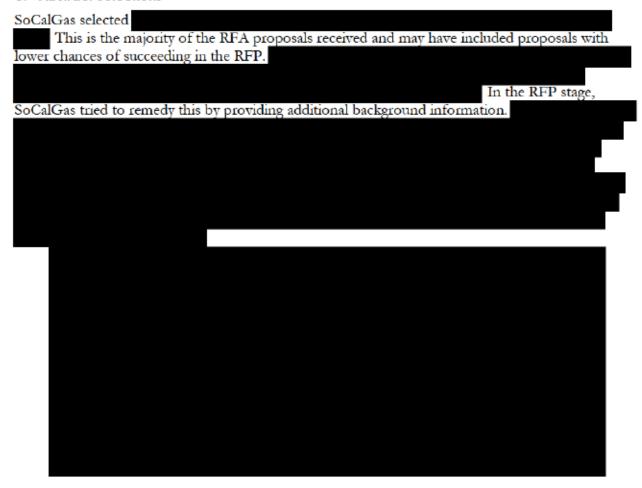
#### d. Evaluation Processes and Scoring Calibration

The RFA generated significant interest and innovative ideas. IE scores were in the range of SoCalGas scoring team for each proposal/criterion. There was similar ranking among the top-ranked proposals with slight differences among the bottom ranked proposals.



SoCalGas team members readily discussed and were willing to consider revising scores during the calibration discussions, while at the same time considering consistency across proposals. Scoring team members conducted a fair and unbiased scoring process.

#### e. Abstract Selections



#### 2.6. PRG and IE Feedback to Abstract Process and Selections

#### a. Adherence to PRG Guidance and Feedback

As noted above, SoCalGas shared initial templates of RFA materials first with the IEs and then with the PRG. The Behavioral RFA was shared with the solicitation-specific IE and then the PRG for feedback. In the majority of cases, PRG and IE feedback was incorporated into solicitation materials.



#### b. Response to IE Feedback

The IE provided feedback on wording of the individual scoring criteria within these categories to ensure that behavioral program experience or similar is scored higher than no behavioral experience, and that any EE program experience would receive partial scoring.

### 3. RFP Bidder Response and Selections

### 3.1. RFP Development

SoCalGas prepared separate RFPs for residential and commercial sectors. While largely similar in terms of required submittals and scoring approach, the RFPs differ by sector specifics such as having bidders define how they will segment the sector into more granular subsegments. The RFPs also differ in providing background information on current approach (residential provides a brief description), and the type of experience in sector specific behavioral programs for the scoring section (commercial sector RFP asks for general commercial program experience and general behavior experience rather than commercial sector behavioral experience).

The IE did not have any major issues of disagreement with SoCalGas on the RFP design. SoCalGas was open and collaborative with the IE in adjusting the RFP. The IE identified points where the RFP language was vague, where scoring could be better defined or better aligned with the submittal template, where requested information was duplicative of information requested elsewhere, and where SoCalGas may be requiring information that is not used in proposal scoring. These instances of required information not used in scoring the RFP include some of the Social Responsibility information requested, Compliance, and Workforce standards, which SoCalGas confirmed was needed for contracting purposes.

Specific areas of discussion include the following:

- Circumstances under which RFP proposed program responses could differ from RFA
  responses. In response to IE concerns, SoCalGas adjusted RFP language to allow any
  change that would make the proposal more cost-effective, while also requiring bidders to
  justify and describe any significant changes.
- In response to IE comments, SoCalGas modified its draft innovation scoring to be
  based on expected incremental savings impacts for the innovative approach. For
  residential behavior programs, the RFP stipulated that innovation must be a practice not
  already implemented in SoCalGas' past or current program designs. For commercial
  programs, the bidder was asked to describe the innovation relative to other utility
  commercial behavior programs and the associated incremental savings.

SoCalGas stated that since CPUC requires total savings goals be achieved, SoCalGas would like to retain a portion of the scoring tied to the proposal's total therm savings.

SoCalGas presented the draft RFP to the PRG, received comments, and responded with revisions. The PRG suggested additional language be included that moving on to contract negotiations does not guarantee the process will result in a contract. In response, SoCalGas strengthened language in Section 5.I – Contract Negotiations, of the RFP Main Document. SoCalGas also updated the definition of innovation to align more closely with PRG guidelines and ensure consistency across the RFP Main Document, Attachment 1 – Proposal Guide & Template and RFP Scorecard and clarified the program period and start and end dates.

The IE reviewed the language and provided minor feedback to ensure consistency and clarity across all RFP documents which were incorporated by SoCalGas.

#### 3.2. RFP Bidders' Conference

SoCalGas shared its bidder conference materials (including the pre-recorded CET and PowerAdvocate training) with the IE prior to the bidder conferences. The IE recommended a couple of minor changes to make the presentation materials consistent with the RFP, which SoCalGas incorporated. The IE had no comments on the pre-recorded trainings. SoCalGas received two CET Training feedback survey responses from residential bidders that listened to the training.

SoCalGas shared its draft responses to bidder questions, with Residential bidders asking 40 questions in Round 1 and one additional question in Round 2. The questions were varied and were mainly seeking clarification on budgets, forms, requirements and costs around legacy waves, page limits and required forms, program scaling, and what SoCalGas' idea of a winning program would be. The IE generally agreed with the responses but provided clarification suggestions to some of the response wording.

SoCalGas received 18 questions from Commercial bidders in Round 1 and no additional questions in Round 2. Questions were varied and included topics such as how accounts, meters, and locations related for commercial accounts, how COVID-19 and possible economic stimulus could impact the program, and if SoCalGas could provide counts of email addresses, multiple meters per location, and segment breakdowns for SoCalGas commercial accounts. The IE provided suggestions on clarifying responses and recommended SoCalGas provide metrics that initially they intended to provide only to the winning bidder. SoCalGas did provide these additional metrics in a follow-up response.

### 3.3. RFP Bidders' Response

SoCalGas received six of seven expected residential proposals and three of five expected commercial proposals. On the residential side, the proposal not received was from a bidder that had submitted two RFA abstracts, but only submitted one proposal. One bidder participating in both solicitations had requested a several-day extension of the deadline due to extreme weather across the U.S. SoCalGas partially accommodated this request by moving the deadline from a Friday afternoon to Monday afternoon. While this bidder did submit its residential proposal on time, it did not subsequently submit its eligible commercial proposal. The other commercial proposal not received did not offer an explanation for its withdrawal. A summary of bidders' responses is provided in Table 3.1.

Table 3.1: Solicitation RFP Response				
o. Commercial	No.			
Proposals Expected				
Proposals Received				
	Proposals Expected			

#### 3.4. RFP Proposal Selection Process

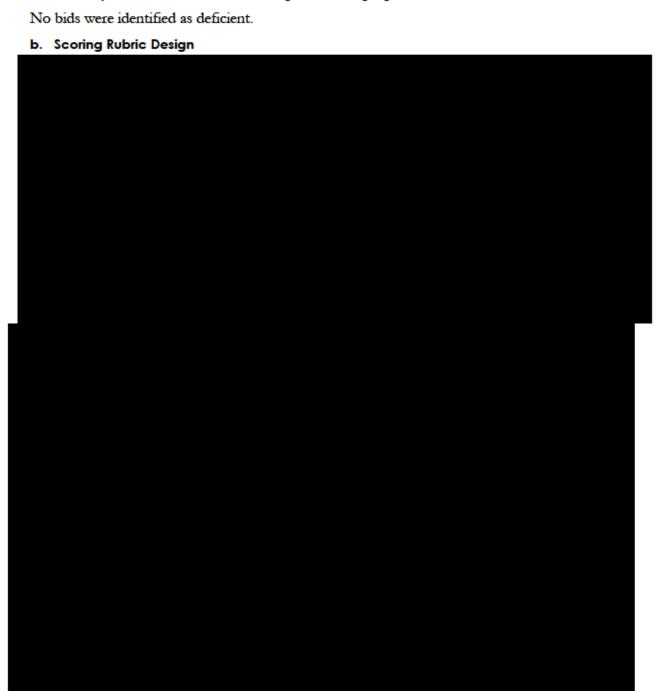
Bid Screening Process and Management of Deficient Bids

SoCalGas reviewed the CETs and conducted team scoring in March 2021.

In late March 2021,
SoCalGas combined scores and identified discrepancies of more than two-point deviation between

scorers. The residential calibration meetings were held on March 17 and 18, 2021 and the commercial calibration meeting was held on March 23, 2021. Shortlist meetings were held on March 29 and 31, 2021.

SoCalGas conducted an initial Pass-Fail threshold scoring of the residential proposals for completeness, consistency of CET between the proposal and worksheets, and consistency with RFA. SoCalGas recommended all proposals pass, even though one bidder still referred to "including small commercial" in its proposal. The IE agreed with this recommendation because the detailed proposal scoring would determine whether the reference to small commercial was general introductory text or was included in all aspects of the proposal.

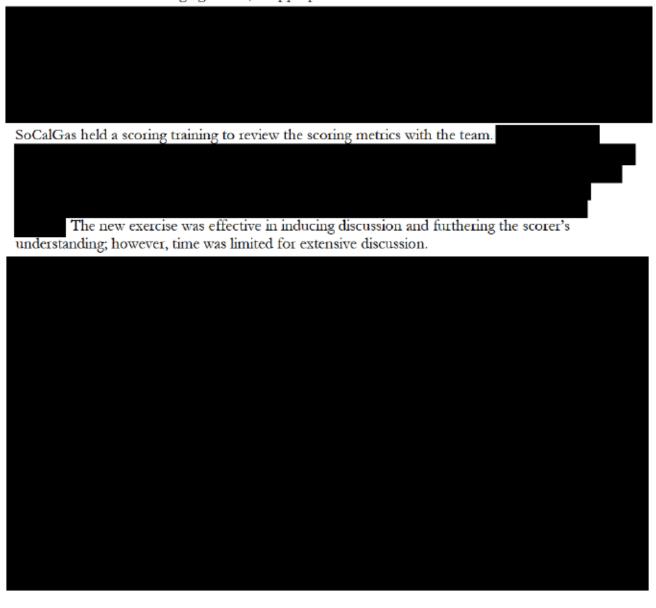


#### c. Evaluation Team Profile

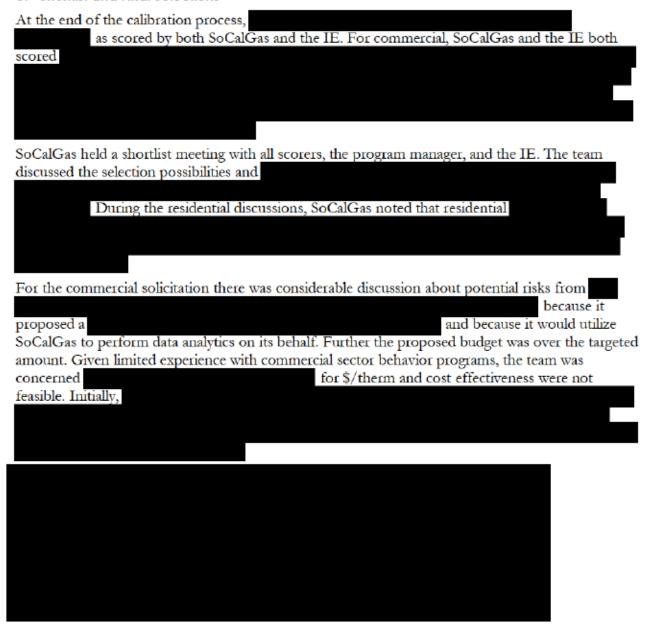
SoCalGas shared its organizational chart, team member bios, and proposal scoring roles with the IE. The IE reviewed the staffing lists for both residential and commercial scoring teams and had no suggestions for changes. The team members have experience and represent appropriate organizations within SoCalGas.

### d. Evaluation Processes and Scoring Calibration

The SoCalGas process to score bids was consistent with established scoring criteria and defined processes. The calibration team meetings were well planned and well facilitated. SoCalGas integrated the IE into key meetings, including the RFP conformance, CET assessment, calibration meetings, and shortlisting. To prepare for the calibration meeting, scorers clearly spent significant effort to review and score the bids. During the meeting, scorers were respectful and open to incorporating new information and changing scores, as appropriate.



#### e. Shortlist and Final Selections



### 3.5. PRG and IE Feedback to Proposal Process and Selections

### a. Adherence to PRG Guidance and Feedback

The RFP process adhered to PRG Guidance and incorporated PRG feedback. SoCalGas accepted the IE and PRG recommendation to separate the RFP solicitation by sector. SoCalGas also accepted the PRG's suggestion to update to the definition of innovation to align more closely to PRG guidelines and ensure consistency across RFP documents.

#### Response to IE Feedback

The IE did not have any major issues of disagreement with SoCalGas on the RFP design or scoring. SoCalGas was open and collaborative with the IE in adjusting the RFP. The IE identified points where the RFP language was vague, where scoring could be better defined or better aligned with the submittal template, where requested information was duplicative of information requested elsewhere, and where SoCalGas required information not used in proposal scoring. SoCalGas and the IE were in agreement on the final RFP documents.

### 4. Contracting Process

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

### 5. Assessment of Final Contract

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

### 6. Overall Assessment of Solicitation

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

### 7. Implementation Plan Assessment

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

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

# Local Industrial Sector Solicitation

Reporting Period: October 2020 through March 2021

Prepared by:
Don Arambula Consulting



Disclaimer: This report includes highly 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 2020 through March 2021.

#### 1.1. Overview

The Industrial solicitation seeks qualified Bidders to propose, design, implement, and deliver an innovative, resource-based program(s) that provides comprehensive, long-term natural gas EE results for existing industrial customers.

#### a. Scope

The purpose of this solicitation is to invite the EE industry to develop a resource-based, innovative, and comprehensive EE program(s) for the Industrial customer sector in SoCalGas' service territory. The Industrial sector accounts for approximately 25 percent of the annual energy usage of all SoCalGas customers.<sup>116</sup>

#### b. Objectives

The Industrial solicitation aims to solicit innovative, resource-based programs to address various market barriers and drivers, as identified in SoCalGas' Business Plan, resulting in more comprehensive, deeper, and longer-term energy savings. The selected Bidder(s) will assist SoCalGas in the achievement of various portfolio and sector metrics<sup>117</sup> through a comprehensive set of program strategies and tactics.

### 1.2. Timing

The Industrial program solicitation was released as scheduled on March 19, 2021. Table 1.2 below presents a list of key solicitation milestones and expected completion dates. Unless otherwise noted, all milestone dates as of this Report were met or are on schedule.

Table 1.2: Key Milestones				
Milestones	Completion Date			
RFA				
RFA Released	March 19, 2021			
Optional Bidder Webinar	March 24, 2021			
Questions Due from Bidders	March 31, 2021			
Responses Provided by Company	April 7, 2021			
Bidder Abstracts Due	April 23, 2021			
Bidders Invited to RFP Stage	Stage June 2021			
RFP				
RFP Released	June 12, 2021			
Bidder Proposals Due*	August 2021			
Contracting & Implementation				
Successful Bidder(s) Notified*	October 2021			

<sup>116</sup> See SoCalGas Business Plan, p. 152-158 available at <u>Business Plan</u>.

<sup>117</sup> See SoCalGas Portfolio And Sector-Level Metrics Compliance Filing, pp. 69-75, available at SoCalGas Portfolio And Sector-Level Metrics.

<sup>118</sup> Solicitation schedules are updated periodically by the IOUs and the current schedule can be found at caeecc.org.

Table 1.2: Key Milestones			
Milestones	Completion Date		
Negotiation & Contracting*	Quarter 4 2021		
Anticipated Program Launch*	Quarter 3 2022		
* - Estimated			

### 1.3. Key Observations

The IE and the IOU had several discussions during the development of the RFA materials. All substantial IE comments were considered and adopted. As a result, there were no significant observations for this reporting period.

### 2. RFA Bidder Response and Selections

### 2.1. RFA Development

The RFA requirements were adequate to provide the IOU sufficient information on the bidders' proposals. SoCalGas continued to further refine its RFA to reduce the number of questions assigned to the bidder. Many of the previous bidder questions requested program detail (e.g.., budget forecast by cost category and by year) that was not necessary to evaluate program abstracts at the RFA stage. As a result, the refined RFA requirements limited bidders to twelve (12) questions. The limited number of questions helped the IOU more efficiently review abstracts while clearly identifying the preferred program designs. The IE notes the RFA questions could be further refined and reduced without impacting the quality of submission or the evaluation process.

#### 2.2. RFA Outreach

The solicitation outreach relied on a general awareness of SoCalGas' program solicitations to the bidder community through several announcements and IOU-specific workshops regarding upcoming EE program solicitations. The IOU also posted general information onto its third-party solicitation webpage and the CAEECC website.

#### 2.3. RFA Bidders' Conference

at the conference. Potential bidders had ample time during the conference to ask questions. Bidders were also provided an opportunity after the Bidders' conference to provide written questions. In response, SoCalGas received several questions covering various topics such as: strategic energy management eligibility, heating/water heating eligibility for commercial-type applications, fuel substitution eligibility and credit (gas-to-electric), access to customer information, segment eligibility, DBE preference, and eligible program cost types.

### 2.4. RFA Bidders' Response

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

#### 2.5. Abstract Selection Process

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

#### 2.6. PRG and IE Feedback to Abstract Process and Selection

SoCalGas provided the opportunity for both the PRG and the IE to review and comment on the RFA materials. The IOU was asked by the PRG to consider the PRG Guidance document in

preparation of the IOU's RFA materials. The IOUs response to the PRG's guidance and the IE feedback is discussed below.

#### a. Adherence to PRG Guidance

The RFA conformed to the PRG Guidance document.

#### b. Response to IE Feedback

The IE provided

IOU accepted all comments. The recommendations were directed at various aspects of the draft RFA including: the documents, and various PRG recommendations previously not adopted.

### 3. RFP Bidder Response and Selections

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

### 4. Contracting Process

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

#### 5. Assessment of Final Contract

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

### 6. Overall Assessment of Solicitation

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

### 7. 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 Sector**

Reporting Period: October 2020 through March 2021

Prepared by: Apex Analytics LLC.



Disclaimer: This report includes highly sensitive and confidential information.

# Local Large Public Sector Program

### 1. Solicitation Overview

This Report covers the activities associated with the Local Large Public Solicitation for the period from October 2020 through March 2021. During this period, SoCalGas completed the development of the Scope of Work and RFA package, which the IE (Apex) reviewed and provided feedback.

#### 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 Sector customer segments in SoCalGas' service territory. 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 (POU) segments, but excludes public buildings covered by statewide programs or previously solicited SoCalGas programs. 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 including 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 RFA excludes 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 and very large public customer is defined as a customer whose maximum annual demand is greater than 50,000 therms. The RFA defines "very large" as customers whose demand is greater than 100,000 therms. 120

This RFA aimed to solicit innovative, comprehensive, resource-based program ideas which include non-resource components to address various segment barriers and drivers identified in SoCalGas's Business Plan and assist SoCalGas in the achievement of various portfolio and sector metrics, <sup>121</sup> through comprehensive tactics which may include but are not limited to: deep retrofits, direct install, custom measures, energy assessments and other forms of technical assistance, leverage of available

 <sup>119</sup> See SoCalGas Business Plan, Pg. 244 (Public Sector Vision) & Pg. 256-258 (Public Sector Energy Usage), available at <a href="https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF">https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF</a>.
 120 See SoCalGas Business Plan, Pg. 258 (Table 7 – Energy Consumption by Customer Size), available at <a href="https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF">https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF</a>.
 121 See SoCalGas Portfolio and Sector-Level Metrics Compliance Filing, Pg. 76-80, available at <a href="https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF">https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF</a>.

financing options, leverage of available Regional Energy Networks which provide added support to public sector customers; partnerships with non-governmental organization 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 will be 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 is designed to achieve comprehensive, long-term energy savings and program opportunities that will assist SoCalGas in achieving portfolio and sector-level metrics<sup>122</sup> related to the Large Public sector. This solicitation encourages 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 customer.

### 1.2. Timing

In February and March 2021, the IE reviewed the RFA, template, and scorecard initial Scope of Work for Large Public Solicitations, and the PRG reviewed the RFA in early April. On April 23, 2021, SoCalGas launched the Large Public solicitation. Key milestones are summarized in Table 1.1.

Table 1.1: Key Milestones		
Milestones	Completion Date	
RFA Stage		
Solicitation Launch	April 23, 2021	
Bidders' Conference	April 28, 2021	
Offer Submittal Deadline	May 28, 2021*	
RFA Shortlist to PRG	July 2021*	
Shortlisting Notification	July 2021*	
RFP Stage		
Solicitation Launch	Mid-August 2021*	
Bidders' Conference	Late August 2021*	
Offer Submittal Q&A Period	September 2021*	
Offer Submittal Deadline	September 2021*	
Cure Period	September 2021*	
RFP Shortlist to PRG	November 2021*	
Shortlisting Notification	November 2021*	

<sup>122</sup> See SoCalGas Business Plan, Pg. 244 (Public Sector Vision) & Pg. 256-258 (Public Sector Energy Usage), available at <a href="https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF">https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF</a>.

Table 1.1: Key Milestones		
Milestones	Completion Date	
Contracting Stage		
Contracting and Negotiations Period	Q4 2021*	
Contracts Presented to PRG	Q4 2021*	
Contract Execution	Q1 2022*	
* Estimated, not yet occurred		

### 1.3. Key Observations

During this reporting period, SoCalGas has managed the Large Public solicitation with efficiency and effectiveness. To begin the solicitation process, the IE and SoCalGas met to discuss the solicitation and to understand the current program structure and SoCalGas goals. In our opinion, this was a best practice exercise as it aligned the IE and the SoCalGas team early on the solicitation.

The draft and final RFA Main Document, Abstract Template, and Scoring were high quality and clear, and the Abstract Template had been streamlined from previous RFAs to reduce the number of questions and level of effort required by the bidders. Overall, the chronology and flow were effective and, compared to previous RFAs, appears to reduce bidder effort at this stage. SoCalGas carefully reviewed and integrated the IE's feedback into the final draft of the RFA package. Table 1.2 represents a collection of key IE issues, observations, and outcomes, where applicable, from the assigned IE for the Large Public Sector.

	Table 1.2: Key Issues and Observations				
Торіс	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)		

### 2. RFA Bidder Response and Selections

### 2.1. RFA Development

The solicitation design met SoCalGas' intention to procure resource-based programs targeted at the Large Public sector, consistent with the CPUC-approved Business Plan and Solicitation Plan. The solicitation requested that bidders propose programs that would help achieve SoCalGas' savings goals and applicable portfolio and sector-level metrics as incorporated into the ABAL.

The Stage One RFA was intentionally designed to be less burdensome on Bidders and aimed to foster a marketplace for innovative ideas. Based on Abstracts submitted in Stage One, SoCalGas will select only the most qualified respondents to move to the RFP stage.

The IE has reviewed the RFA templates and believes the RFA design and approach are fair, sufficiently transparent, and equitable. The IE reviewed the Large Public RFA in March 2021.

SoCalGas addressed and accepted all edits and recommendations from the IE. In general, the main document, including the Scope of Work, was of high quality and clear. Apex added edits to increase clarity and ensure that program characteristics were appropriate for Large Public. The abstract template had been improved from previous RFAs allowing for simplified questions reducing the bidders' efforts at this stage. Apex and SoCalGas reviewed documents for consistency and agreed upon edits in multiple sections. Apex recommended edits to the abstract questions and template. SoCalGas completed, and the IE reviewed, the checklist and the IE recommended updates to various aspects of the checklist.

All comments were reviewed and considered by SoCalGas, and all were addressed by SoCalGas. IErecommended edits included aspects such as:

- More information should be provided in the SOW on categories of customers in the
  public sector, as well as those that are excluded from the solicitation due to other
  programs, such as statewide programs. Provide more information on customer counts in
  the Large Public sector.
- The RFA main document edits should be reviewed to ensure consistency with Large Public solicitation, such as clarifying budget categories, clarifying custom project definitions and allowance, referencing NMEC, and other minor edits.
- The IE-recommended edits to the Abstract Template questions should be reviewed to help improve consistency between the RFA and RFP phases to reduce bidder effort. The



### 3. RFP Bidder Response and Selections

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

### 4. Contracting Process

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

#### 5. Assessment of Final Contract

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

#### 6. Overall Assessment of Solicitation

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

### 7. Implementation Plan Assessment

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

# 5. Assessment of Final Contract

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

# 6. Overall Assessment of Solicitation

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

## 7. Implementation Plan Assessment

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

IOUs are required to conduct a RFA solicitation, followed by a full RFP stage. 70

The CPUC also requires each IOU to assemble an EE PRG. The IOU's EE PRG, a CPUC-endorsed entity, is composed of non-financially-interested parties such as advocacy groups, state energy commissions, utility-related labor unions, and other non-commercial, energy-related special interest groups. The EE PRG is charged with overseeing the IOU's EE program procurement process (both local and statewide), reviewing procedural fairness, examining overall procurement prudence, and providing feedback during all solicitation stages. Each IOU briefs its PRG on a periodic basis throughout the process on topics including RFA and RFP language development, Abstract and Proposal evaluation, and contract negotiations.

Each IOU is required to select and utilize a pool of EE IEs to serve as consultants to the PRG. The IEs are directed to observe and report on the IOU's entire solicitation, evaluation, selection, and contracting process. The IEs review and monitor the IOU solicitation process, valuation methodologies, selection processes, and contracting to confirm an unbiased, fair, and transparent competitive process that is devoid of market collusion or manipulation. The IEs are privy to viewing all submissions. The IEs are invited to participate in the IOU's solicitation-related discussions and are bound by confidentiality obligations.

#### 2. Solicitation Overview

#### 2.1. Overview

This Report summarizes the solicitation process for the Local Residential Manufactured Homes solicitation. It reflects Apex's observations as the IE through the entire process, from the development of the RFA to finalizing the contract with the selected third-party EE contractor. The purpose of the Manufactured Home solicitation was to invite the EE industry to collaborate with SoCalGas in developing resource-based, innovative, and comprehensive EE programs for the residential manufactured home market in SoCalGas' service territory.

#### a. Solicitation Scope

SoCalGas initiated the local Residential Manufactured Home (Manufactured Home) solicitation to develop a cost-effective program that maximized natural gas, electric, and water efficiency savings for residential customers living in manufactured homes. The program scope included all relevant delivery channels and all existing residential manufactured homes customers throughout SoCalGas' service territory. The solicitation requested delivery of simple/low-cost EE retrofits, customer copays for more comprehensive upgrades, and financing options, and also encouraged other innovative delivery approaches.

SoCalGas serves more than 1,200 mobile home parks that used more than 34 million therms in 2018. This solicitation encouraged the exploration of all relevant delivery channels and program strategies, such as direct install and incentives, to produce a cost-effective program to maximize natural gas efficiency savings. The solicitation encouraged comprehensive tactics which included but were not limited to:

- Providing simple, low-cost EE retrofits;
- Incorporating customer co-pays for comprehensive, higher-cost EE retrofits;
- Leveraging available financing options to fund project co-pays (e.g., REEL);

<sup>&</sup>lt;sup>70</sup> Id, p. 31.

#### b. Portfolio Fit

The winning bidders' proposals were consistent with the Scope of work and consistent with the Business Plan needs. Portfolio fit was not directly used in the bid selection.

### 6.4. Response to PRG and IE Advice

As noted above, SoCalGas integrated IE feedback throughout the process and no substantial issues raised by the IE were unresolved. The PRG did not provide specific feedback on RFA selection and provided some comments on the two final selected bidders at RFP stage, including concern that the highest ranked bidder is overly focused on low-hanging fruit and not very innovative. This PRG member recommended that they increase comprehensiveness of measures and consideration of financing approaches. This feedback was addressed by SoCalGas in the negotiation phase with bidders.

#### 6.5. Affiliate Bids and Conflict of Interest

The IOU did not receive a bid from an affiliate and there were no identified conflicts of interest.

### 7. Assessment of Selected Bids

### 7.1. Bid Selections Respond to Portfolio Needs

For the final selection, the bids selected to move forward to contracting met portfolio needs. The final selection is consistent with SoCalGas' portfolio needs as identified in its Business Plan and Solicitation Plan.

### 7.2. Bid Selections Provide Best Overall Value to Ratepayers

Overall, we find that the selected manufactured home programs, Synergy's Comprehensive Manufactured Homes Program (CMHP) and Staple's Residential Manufactured Homes program were chosen through a transparent, competitive process; they were the highest scoring bidders (first and second, respectively) of both the RFA and RFP processes; and they met SoCalGas business plan goals.

#### a. Program Description

As described in Synergy's contract, CMHP is a comprehensive, advanced clean-energy solution for manufactured home customers. The program path begins with the delivery of cost-effective thermrich direct install measures that transitions to an advanced clean-energy opportunity for the manufactured homes customers that can be financed by outside sources. The CMHP delivers natural gas energy-efficient, clean energy, and carbon emission solutions. Synergy will offer participating customers the following services: identification of eligible participants; marketing and outreach; direct install measure installation; walk-through audit and sales consultation; local agency clean energy measure(s); advanced clean technology installation; and access to customer financing.

As described in Staple's contract, the SoCalGas Residential Manufactured Homes program will use a tiered, direct install approach to provide residents and manufactured home park owners with convenient and cost-effective measures with low upfront costs, while giving them the option to install deeper energy savings measures that would require a customer co-pay. The program will use a targeted approach to identify and enroll parks and customers, while informing all parties of the benefits of participation. The program includes a physical assessment of manufactured homes and community shared facilities within a manufactured homes park to identify: no-cost improvements to individual units (owner or tenant occupied); unit improvements requiring customer co-pay (but also

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

# **Local Large Commercial Solicitation**

Reporting Period: October 2020 through March 2021

Prepared by:
Don Arambula Consulting



Disclaimer: This report includes highly sensitive and confidential information.

participation, and improved levelized cost.

### Viable EE Measure Mix and Approaches

The Service RCx+ Large Commercial Program will offer population-level, NMEC-based energy savings through the direct implementation of RCx and optimization services. Although permissible per the CPUC NMEC Rulebook, this approach has never been attempted with these targeted customer groups. As a result, Enovity, the IOU, and the CPUC's ED staff should work closely in the development of the program's M&V Plan. Furthermore, the IOU should facilitate discussions with Enovity and Willdan directed at developing a seamless delivery of additional EE incentives and services for Enovity's customers by Willdan. In the upcoming years, active and open coordination of program implementers will be an essential task for the IOU's portfolio administrator role.

### Compliance with CPUC M&V Requirements

The program consists exclusively of population-level NMEC energy savings. During contract negotiations SoCalGas sought a greater level of understanding of Enovity's approach to comply with the CPUC's NMEC requirements. In response, the bidder explained that the program met the CPUC's threshold for population level NMEC.<sup>106</sup> Thus, the advice letter need not contain a specific M&V plan for CPUC review and approval. In any event, Enovity, the IOU, and the CPUC ED should coordinate during the development of the M&V Plan.

The executed contract requires that a full M&V plan be prepared by the implementer 30 days after contract execution and be included in the final IP due 60-days after CPUC approval on the executed contract. There should be an active review of the of M&V Plan, by CPUC EM&V staff, to confirm the appropriateness of the data collection plan in support of future EM&V studies.

#### 6. Overall Assessment of Solicitation

#### Willdan

The solicitation was conducted fairly, transparently, and without bias. SoCalGas effectively managed its solicitation although it should have allotted more time for contract negotiations. The PRG provided timely input and actively engaged with the IOU throughout the solicitation. The IE monitored all aspects of the solicitation from RFA development through contract execution. The IE and the PRG provided recommendations on various aspects of the solicitation and recommendations that were mostly incorporated by the IOU into this solicitation and/or will be in future solicitations.

Willdan will also deliver a similar program to SCE customers. There could be lost EE opportunities with customers due to differences in Willdan's respective compensation structures with the IOUs. Since SoCalGas and SCE serve many of the same customers, these IOUs should coordinate with Willdan and each other to identify greater efficiencies in their program delivery.

In sum, SoCalGas' local large commercial sector solicitation resulted in a program that will contribute to the IOU's achievement of its CPUC EE goals and associated portfolio and sector metrics. In the coming years, the program will also help the IOU present a program portfolio that

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<sup>106</sup> At least 90% confidence / 25% range Fractional Savings Uncertainty (FSU) as calculated using ASHRAE methods at the daily level, or using other methods that achieve at least the same levels of Certainty, NMEC Rulebook, Version 2.0, p. 12, dated January 7, 2020.

can meet the CPUC's cost-effective threshold requirements.

#### Enovity

The solicitation was conducted fairly, transparently, and without bias. SoCalGas effectively managed its solicitation although it should have allotted more time for contract negotiations. The PRG provided timely input and actively engaged with the IOU throughout the solicitation. The IE monitored all aspects of the solicitation from RFA development through contract execution. The IE and the PRG provided recommendations on various aspects of the solicitation and recommendations that were mostly incorporated by the IOU into this solicitation and/or will be in future solicitations.

Enovity's program focuses exclusively on RCx and operational energy savings based on a population-level NMEC approach. Since Willdan will provide a complete offering including customer incentives on EE retrofits, the IOU should collaborate with the two implementers on how to best serve Enovity's niche participants with both programs. Further, the IOU, Enovity, and CPUC's ED should discuss and review Enovity's proposed approach to population-level NMEC for the targeted customer group in order to continue to meet the requirements set forth in the CPUC's NMEC Rulebook<sup>107</sup> in the event the requirements change and/or are clarified in the future.

In sum, SoCalGas' local large commercial sector solicitation resulted in a program that will contribute to the IOU's achievement of its CPUC EE goals and associated portfolio and sector metrics. In the coming years, the program will also help the IOU present a program portfolio that can meet the CPUC's cost-effective threshold requirements.

### 7. Implementation Plan Assessment

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

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<sup>107</sup> Section II.2.C Program Design Criteria, p. 12.

# **Local Agricultural Program**

### 1. Solicitation Overview

#### 1.1. Overview

This report covers the second of SoCalGas' two agricultural solicitations. The first solicitation was focused on small and medium agricultural customers, which SoCalGas defines as customers whose maximum annual demand is less than or equal to 50,000 therms. The was publicly launched on January 14, 2019 with responses due February 25, 2019. However, response to the solicitation was poor. SoCalGas received only three abstracts, one of which was screened out due to being incomplete, leaving only two abstracts to be scored. Scores for the two abstracts were so weak that SoCalGas cancelled the solicitation with the intent of releasing an over-arching solicitation for the Agricultural segment at a later date. This second solicitation is discussed below.

#### a. Scope

The second solicitation, launched in mid-2019, welcomed abstracts from qualified bidders to propose, design, implement, and deliver an innovative, resource-based program(s) that provides comprehensive, long-term natural gas EE results for existing agricultural customers (with no customer size restriction).

Agricultural customers are defined by energy consumption and by customer size. <sup>109</sup> The total agricultural sector usage represents approximately 2% of the total SoCalGas usage and less than 4% of the total nonresidential customer load. Agricultural customers operate within a diverse set of segments throughout the service territory.

This solicitation encourages the exploration of all relevant delivery channels and program strategies, such as direct install and incentives, to produce a cost-effective program to maximize natural gas efficiency savings for the agriculture customer market. SoCalGas prefers program offerings that include all Agricultural customers with a tailored approach for the very small, small, and medium customers. SoCalGas also encourages program designs that are coordinated with other electric and/or water efficiency programs offered by other entities and requires adherence to the CPUC decision on workforce standards, 110 where applicable.

Each response to this solicitation must propose a natural gas-focused resource Program. <sup>111</sup> In addition, Bidders may propose optional programs that include technology solutions that save water and/or electricity. Although SoCalGas is striving to develop agreements with electric and water utilities, these agreements are not yet in place for this program and thus implementation of a gas/electric, gas/water, or gas/electric/water program may not be possible. If the Bidder has an existing relevant agreement with an electric and/or water service provider that the Bidder proposes to incorporate as part of the proposed Program, the Bidder shall provide proof of the agreement. Evidence of such agreements can improve a Bidder's chances of being selected for Stage Two. Abstracts must clearly distinguish between gas, electric, and water elements (unless a single

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<sup>&</sup>lt;sup>108</sup> SoCalGas 2018-2025 Energy Efficiency Business Plan, January 17, 2017, (Table 7 – Energy Consumption by Customer Size), at p. 120.

<sup>109</sup> Id., at p. 120.

<sup>110</sup> D.18-10-008 OP 1, at pp. 76-77.

<sup>&</sup>lt;sup>111</sup> RFA 101409 – Agricultural Request for Abstract, Southern California Gas Company (SoCalGas RFA), February 21, 2020, at p. 13.

# **Local Behavioral Program**

#### 1. Solicitation Overview

This Report covers the activities associated with the Behavioral Program solicitation for the period of October 2020 through March 2021. During this period, SoCalGas completed the RFP design, launch, scoring, and shortlist. In response to IE and PRG recommendations, the RFP was conducted with two solicitations separated by sector (residential and commercial). This approach allowed for providing different background information, sector specific approaches, and workplans. The IE reviewed and commented on the RFPs, bidder webinar materials, responses to bidder questions, and scoring training materials; monitored the pass-fail threshold assessment; conducted independent scoring, and monitored the calibration and shortlist discussions.

#### 1.1. Overview

The objective of this solicitation is for the EE industry to collaborate with SoCalGas in offering an innovative and cost-efficient program for continuing and expanding the existing residential Behavioral Program and developing a cost-effective commercial Behavioral Program.

#### a. Scope

This solicitation targeted both residential and commercial customers for cost-effective Behavioral programs that meet the CPUC definition of Behavioral Programs: (1) must employ comparative energy usage and disclosure, (2) must be measured ex post, and (3) must utilize an experimental design (Random Control Trial, or RCT, design). The solicitation scope outlined these CPUC requirements, but also encouraged innovation to drive cost-effective therm savings. This solicitation encouraged the exploration of all relevant delivery channels and program strategies to produce a cost-effective program to maximize natural gas efficiency savings. Program RFA abstracts were requested to address residential or commercial or both sectors for a natural gas-focused resource program and invited bidders submitted proposals for one or both of the RFP solicitations.

#### b. Objectives

The solicitation is based on the goals identified in SoCalGas' approved business plan;<sup>115</sup> the solicitation is designed to promote behavioral-related EE solutions through intelligent outreach, expanding to more customers and using innovative approaches to increase therm savings over historical programs.

#### 1.2. Timing

The Behavioral solicitation is generally on schedule as planned. The Behavioral RFA was released in August 2020 and the RFP was released in January 2021 with an anticipated program launch in the fourth quarter of 2021. RFA screening, scoring, and calibrating all occurred in October 2020, with a RFA Shortlist released on October 28, 2020. The RFP development took place in December 2020 and January 2021, with the RFP launch mid-January and the proposal selection at the end of March 2021. The detailed timing of the Behavior Program solicitation is outlined in the table below. Table 1.2 outlines key milestones for this solicitation.

<sup>115</sup> https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas\_Business\_Plan-1.17.17-FINAL.PDF

#### Response to IE Feedback

The IE did not have any major issues of disagreement with SoCalGas on the RFP design or scoring. SoCalGas was open and collaborative with the IE in adjusting the RFP. The IE identified points where the RFP language was vague, where scoring could be better defined or better aligned with the submittal template, where requested information was duplicative of information requested elsewhere, and where SoCalGas required information not used in proposal scoring. SoCalGas and the IE were in agreement on the final RFP documents.

### 4. Contracting Process

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

### 5. Assessment of Final Contract

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

### 6. Overall Assessment of Solicitation

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

### 7. Implementation Plan Assessment

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

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

# **Local Industrial Sector Solicitation**

Reporting Period: October 2020 through March 2021

Prepared by:
Don Arambula Consulting



Disclaimer: This report includes highly sensitive and confidential information.

preparation of the IOU's RFA materials. The IOUs response to the PRG's guidance and the IE feedback is discussed below.

#### a. Adherence to PRG Guidance

The RFA conformed to the PRG Guidance document.

### b. Response to IE Feedback

The IE provided

IOU accepted all comments. The recommendations were directed at various aspects of the draft RFA including: the documents, and various PRG recommendations previously not adopted.

### 3. RFP Bidder Response and Selections

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

### 4. Contracting Process

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

#### 5. Assessment of Final Contract

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### 6. Overall Assessment of Solicitation

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### 7. Implementation Plan Assessment

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# Local Large Public Sector Program

### 1. Solicitation Overview

This Report covers the activities associated with the Local Large Public Solicitation for the period from October 2020 through March 2021. During this period, SoCalGas completed the development of the Scope of Work and RFA package, which the IE (Apex) reviewed and provided feedback.

#### 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 Sector customer segments in SoCalGas' service territory. 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 (POU) segments, but excludes public buildings covered by statewide programs or previously solicited SoCalGas programs. 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 including 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 RFA excludes 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 and very large public customer is defined as a customer whose maximum annual demand is greater than 50,000 therms. The RFA defines "very large" as customers whose demand is greater than 100,000 therms. 120

This RFA aimed to solicit innovative, comprehensive, resource-based program ideas which include non-resource components to address various segment barriers and drivers identified in SoCalGas's Business Plan and assist SoCalGas in the achievement of various portfolio and sector metrics, <sup>121</sup> through comprehensive tactics which may include but are not limited to: deep retrofits, direct install, custom measures, energy assessments and other forms of technical assistance, leverage of available

 <sup>119</sup> See SoCalGas Business Plan, Pg. 244 (Public Sector Vision) & Pg. 256-258 (Public Sector Energy Usage), available at <a href="https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF">https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF</a>.
 120 See SoCalGas Business Plan, Pg. 258 (Table 7 – Energy Consumption by Customer Size), available at <a href="https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF">https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas Business Plan-1.17.17-FINAL.PDF</a>.
 121 See SoCalGas Portfolio and Sector-Level Metrics Compliance Filing, Pg. 76-80, available at <a href="https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF">https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF</a>.