

**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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ATTACHMENT A

Energy Efficiency Independent Evaluators' Semi-Annual Report

Southern California Gas Company

Third-Party Energy Efficiency Program Solicitations

Reporting Period: April 2020 through September 2020

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December 14, 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

ENERGY EFFICIENCY INDEPENDENT EVALUATORS' SEMI-ANNUAL REPORT

TABLE OF CONTENTS

A.	Purpose.....	1
B.	Background	1
C.	Overview of Solicitations	3
D.	IE Assessment of Solicitations.....	5
E.	PRG Feedback	12
F.	Stakeholder Feedback from CPUC Workshops.....	12

Attachment II: Individual Energy Efficiency Independent Evaluators' Semi-Annual Reports	17
Local Residential Single Family Program	19
Local Residential Multifamily Program.....	40
Local Small and Medium Commercial Program	56
Local Small and Medium Public Program	91
Statewide Point-of-Sale Food Service Program	113
Statewide Midstream Water Heating Program.....	131
Statewide Gas Emerging Technologies Program.....	148
Local Residential Manufactured Homes Program	156
Local Large Commercial Program	170
Local Agricultural Program	181
Local Behavioral Program.....	198

I. Overview

A. Purpose

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

The investor-owned utility (IOU) is required to select and utilize a pool of IEs with EE expertise to serve as consultants to the Procurement Review Group (PRG).¹ For the entire solicitation process, the IE serves as a consultant to the PRGs, participates in PRG meetings, and provides assessments of the overall third party solicitation process and progress.² The IEs are privy to viewing all submissions and 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 semi-annual report on the overall process and conduct of the third-party solicitations, to be filed in the relevant energy efficiency rulemaking proceeding.³ This Report is provided in response to this requirement and represents an assessment of the program solicitation activities conducted during the period from April 2020 through September 2020. 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 best practices as noted 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.⁴ 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

¹ Decision 18-01-004, OP 2.

² Id, p. 38.

³ Id, OPN 5.c.

⁴ In Decision 18-05-041, the CPUC extended the original target date for the 25 percent threshold from December 31, 2018 to December 19, 2019.

*under contract for programs designed and implemented by third parties by no later than December 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) solicitation, followed by a full Request for Proposal (RFP) stage.⁶

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 ensuring 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, and contract negotiations.

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, 2020.⁷

The CPUC further stated that, consistent with Decision 18-05-041, the IOUs must meet at least 40 percent of their energy efficiency 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:

⁵ OPN 4.

⁶ Decision 18-01-004, p. 31.

⁷ 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.

1) Delays in Schedules Guidance

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

2) 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.

3) Bidder Communication

- 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 didn't advance due to incomplete or non-conforming, 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 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 key issues along with corresponding recommendations gleaned from the individual IE assessments. The Report does not address program solicitations for which SoCalGas has not yet released an RFA, as noted in the table below.

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

Report Section	Solicitations	Assigned IEs	Solicitation Status
1	Local Residential Single Family	The Mendota Group	Contracts Executed
2	Local Residential Multifamily	The Mendota Group	Contract Executed, Contracting
3	Local Small and Medium Commercial	Don Arambula Consulting	Contract Executed

**Table C.1: Solicitations Overview
(April 2020 through September 2020)**

Report Section	Solicitations	Assigned IEs	Solicitation Status
4	Local Small and Medium Public	Apex Analytics	Contract Executed
5	Statewide Point-of-Sale Food Service	MCR Corporate Services	Contracting
6	Statewide Midstream Water Heating	MCR Corporate Services	Contracting
7	Statewide Gas Emerging Technologies	Don Arambula Consulting	RFP
8	Local Residential Manufactured Homes	Apex Analytics	RFP
9	Local Large Commercial	Don Arambula Consulting	RFP
10	Local Agricultural	MCR Corporate Services	RFP
11	Local Behavioral	Apex Analytics	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 evaluation period

Contracting: Contract negotiations

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.

At the conclusion of this reporting period, the following contracts 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 Medium Commercial	Franklin Energy Services	Small and Medium Commercial Energy Efficiency Program	September 24, 2020		9.6%
Local Small and Medium Commercial	ICF Resources, LLC	C-BEST Program	August 31, 2020		10.4%
Local Residential Single Family	Synergy Companies	Residential Advanced Clean Energy Program	September 21, 2020		42.0%
Local Residential Single Family	Global Energy Services, Inc.	Community Language Efficiency Outreach Program	September 21, 2020		100.0%*
Local Residential Multifamily	ICF Resources, LLC	Multifamily Energy Alliance Program	September 21, 2020		12.4%

⁸ The DBE spend is an estimate from the contracts to show 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.

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 Medium Public	Synergy Companies	Small-Medium Public Program	August 31, 2020		42.0%
* Implementer is a certified DBE.					

D. IE Assessment of Solicitations

The following are 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.

- Curing process.** SoCalGas should develop a curing process to determine under what conditions SoCalGas would seek, or not seek, clarifications. Administrative errors, such as unreadable bidder documents, incorrect file uploads, etc., should be a curable event as it does not improve the bid nor provides undue advantage to the bidder.
- Provide EE measure list to bidders.** Development and use of a consistent measure list to assist bidders in the development of their proposals would reduce workload for bidders and the SoCalGas evaluation team. It would also improve the reliability of savings estimation and associated scoring elements, including energy savings, cost effectiveness, and levelized cost.
- Highlight the CPUC’s workforce and disadvantage worker policies during the bidders’ conferences.** The IOU should highlight the CPUC’s workforce policies during the bidders’ conferences in future solicitations to help improve bidder’s response to these policies.

Table D.1: IE Observations and Outcomes			
Topics	Key Observations	IE Recommendations	Outcomes
RFA			

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Topics	Key Observations	IE Recommendations	Outcomes

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Topics	Key Observations	IE Recommendations	Outcomes
RFP			
Bidders' 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 for any new market entrants.	No response required.
Bid Screening	SoCalGas reserves the right to seek clarification from bidders on their RFP proposals. However, the IOU's bid-screening process doesn't allow SoCalGas to seek clarifications.		

Table D.1: IE Observations and Outcomes			
Topics	Key Observations	IE Recommendations	Outcomes
Small Business Enterprise (SBE)	The CPUC provides a clear SBE definition for IOUs to apply during the solicitation. The Dept. of General Services (DGS) confirms SBE eligibility and assigns a unique SBE identifier to qualifying firms. SoCalGas can refer to the DGS to confirm bidder SBE status.	The IOU should consider SBEs in the evaluation of Social Responsibility questionnaires in addition to Diverse Business Enterprises (DBE).	SoCalGas does not have a process to confirm SBE status.
Social Responsibility			
Measure List	<p>SoCalGas had to review changes made by bidders to their CET files to ensure accurate measure inputs. This resulted in substantial work for the SoCalGas team and changes in scores throughout the process.</p> <p>The bidders requested a measure list with CPUC-approved assumptions similar to PG&E's solicitation tool for its bidders.</p>	Development and use of a consistent measure list to assist bidders in the development of their proposals would reduce workload for bidders and the SoCalGas evaluation team. It would also improve the reliability of savings estimation and associated scoring elements, including energy savings, cost effectiveness, and levelized cost.	New recommendation.

Table D.1: IE Observations and Outcomes

Topics	Key Observations	IE Recommendations	Outcomes
CET Output	[REDACTED]	[REDACTED]	New recommendation.
Disadvantaged Worker Policy	The RFP materials clearly list the CPUC Workforce and Disadvantaged Worker Policies; however, the bidder responses, in general, have been mediocre.	The IOU should consider highlighting these CPUC policies during the bidders' conferences in future solicitations.	New recommendation.
Contracting and Implementation			
Collaborative Negotiations	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.	Collaborative negotiations focused on improving the program offering should be a primary consideration in contract negotiations across all IOU solicitations. This will likely improve program performance and promote cost-effective program delivery.	No response required.
Reasonable Contract Negotiations Schedule	The IOU notified the bidders of final selection in January 2020. Contracts were executed approximately nine months later.	The IOU should adhere to the new CPUC recommendation to limit the contracting phase to no more than 12 weeks, while providing parties sufficient time to negotiate.	The IOU has adopted the CPUC recommendation for future solicitations.

Table D.1: IE Observations and Outcomes			
Topics	Key Observations	IE Recommendations	Outcomes
Minimum Threshold Requirement	[REDACTED]	[REDACTED]	No response required.
Implementation Plan	The Program will target both Hard-to-Reach (HTR) customers and customers with facilities in Disadvantaged Communities (DACs).	At a minimum, the IOU and implementer should include a data collection plan as an attachment to the Implementation Plan ⁹ in the detailed program manual. The data collection plan should demonstrate whether the individual facilities fall under the CPUC's DAC and/or HTR definition. This will prevent discrepancies regarding whether the facility should be considered either DAC or HTR in reporting to the CPUC.	New recommendation.
Program Transition Plans	The Contract does not address any specific program transition plans among the IOU's existing program and the new third-party program. Since the small- and medium-sized commercial customer group tends to have shorter project installation timelines, there will likely be few or no projects in the pipeline.	In the program's Implementation Plan, SoCalGas and implementer should detail a transition plan that addresses all existing and applicable small- and medium-sector projects contained with SoCalGas' project pipeline, including potential projects (soft leads) that have not yet been served by the IOU's existing programs. The transition plan should also address any necessary customer communications to support a seamless transition.	New recommendation.

⁹ Implementation Plan Template, Version 2, p. 5, dated January 2020.

Topics	Key Observations	IE Recommendations	Outcomes
Posting Approved Programs	Currently, there is no one single list showing the results of the program solicitations across all IOUs. Decision 18-01-004 (p. 34) directs the IOU to list all third-party contracts on a website.	The IOU should use the California for Energy Efficiency Coordinating Committee (CAEECC) and the Proposal Evaluation & Proposal Management Application (PEPMA) websites to list the ongoing results of the IOUs solicitations, by approved program.	New recommendation.

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 these identified practices be implemented by all the IOUs for future EE solicitations.

Emerging Best Practice	IOU	IE Analysis
Scorer Training	SoCalGas	IOUs developed a process for training the scoring team for each solicitation and held mock scoring sessions. This is an effective way to ensure that all scorers have the same expectations and understanding of what they are scoring.
Collaborative Negotiations	SoCalGas	Collaborative negotiations focused on improving the program offering should be a primary consideration in contract negotiations.

Table E.1: Effective Solicitation Practices		
Emerging Best Practice	IOU	IE Analysis
Multiple Rounds of Q&A	SoCalGas	SoCalGas provide more than a single round of Q&A, which allowed bidders to provide follow-up questions and afforded bidders more opportunity to ask questions.
Contract Negotiations	SoCalGas	SoCalGas utilized an excel-based comment tracker to record proposed changes and responses to the initial draft contract. This allowed both parties to easily identify propose changes and record the outcome and rationale for each proposed change.

F. PRG Feedback

Table E.1 below presents key recommendations provided by the PRG that were considered but not adopted by SoCalGas. The table includes the IOU's rationale for not adopting these key recommendations. The table is intended to only highlight select recommendations which were not accepted by SoCalGas. For a complete list of other PRG and IE recommendations that were considered but not accepted by the IOU, refer to the individual IE solicitation reports presented in Attachment II.

Table E.1: Key PRG Recommendations Not Adopted			
Topic	Solicitation(s)	PRG Recommendation	IOU Reason for Not Adopting
Solicitation Timeline			

G. Stakeholder Feedback from CPUC Workshops

July 2020 Stakeholder Meetings

The CPUC, pursuant to Decision 18-01-004, held a two-session public stakeholder workshop on July 24 (Session I) and July 31 (Session II). Session I focused on recapping activities on all of the EE third-party solicitations from both the IOUs' and the IEs' perspectives and provided an opportunity for stakeholders to ask questions and receive updates on the EE third-party solicitations. Session II featured reports on the process as a whole, with presentations from CPUC's Energy Division on the IE role, observations and lessons learned (presented by the IEs), and interactive breakout sessions. The breakout sessions focused on key issues identified by stakeholders in Session I and allowed for brainstorming and additional input from the stakeholders. The breakout sessions were facilitated by PRG members and an IE. Participants included members from the PRG, IEs, CPUC's ED, IOUs, stakeholders, and bidders. Presentations and agendas from the workshop sessions are available on

the California Energy Efficiency Coordinating Committee's (CAEECC) website.¹⁰

Session I July 24, 2020

The IOUs reported on the status of their solicitations and the IEs presented observations since the last workshop, with a moderated panel question-and-answer session after each presentation. There were also presentations from the working groups established at the previous workshop in February 2020, addressing the topics of the Cost-Effectiveness Tool (CET) and stakeholder engagement. Attendees had the opportunity to ask questions to the IOUs and IEs, which also helped in the development of breakout sessions for Session II.

The main topics that were raised and discussed by stakeholders in Session I included the following:

- **Feedback to Stakeholders from IOUs:** Stakeholders expressed concerns about when and how bidders would receive feedback on solicitations in which they did not move forward. IOUs addressed challenges on confidentiality and fairness, and this topic was added as a breakout session for Session II. All IOUs committed to providing feedback to non-advancing bidders.
- **IEs Working with IOUs:** IEs noted that the relationship between IEs and IOUs has improved as IOUs have utilized their IE pools to help flesh out areas of improvement and develop ongoing lessons learned. IE recommendations included shortening schedules, using MS Word for narrative responses, and formalizing a way to capture “lessons learned” at key points in the process.
- **COVID-19 and Related Economic Challenges:** Concerns were raised on how COVID-related risks to the bidders could be addressed related to COVID-19.
- **Encouraging More Bidder Engagement in the Solicitations:** Concerns were raised on the best way to increase bidder engagement, especially from smaller companies.

In Session I, stakeholders heard from working groups that were established from previous workshops and provided updates on issues discussed at the February 7, 2020 CPUC workshop. These two IOU working groups will continue to address issues with the CET and to promote increased stakeholder engagement.

- **Team 3: CET** – Led by SoCalGas, the CET Team is working to address bidder feedback about using the CET to forecast and develop cost-effectiveness metrics. The team recommended developing a data dictionary/glossary for CET input fields and a CET Input Guide for guidance on when to use certain values and how it affects benefits and costs, and to update the E3 Technical Memo for the CET.
- **Team 4: Stakeholder Engagement** – Led by SCE, the Stakeholder Engagement Team collected concerns/questions from the CPUC's Session I to inform break-out groups for Session II. It is the intent of the team to hold quarterly stakeholder meetings and focus

¹⁰ <https://www.caeccc.org/third-party-solicitation-process>.

on continuous improvements in working with, understanding, and addressing stakeholder issues and concerns.

After Session I, a survey link was provided to participants to gather specific input on the breakout session topics to address in Session II.

Session II July 31, 2020

For Session II, the CPUC addressed unanswered questions from Session I and presented the evolved role of the IE. Barakat Consulting, representing the IEs, presented the lessons learned so far in the process.

California Energy and Demand Management Council (CEDMC) Presentation

This session included a presentation from CEDMC on stakeholder/bidder concerns with the third-party solicitation process, specifically:

Timing

- **Issue:** The solicitation process is still too slow and has lots of challenges.
- **Proposed Solution:** The IOUs should develop more granular timelines that will require the IOUs to reach certain interim milestones for finalizing program-specific contracting negotiations.

Transparency

- **Issue:** There is a lack of visibility for bidders in terms of providing meaningful feedback about the reasons why their bids were rejected.
- **Proposed Solution:** The IOUs should develop and the CPUC approve a consistent approach for offering bidder feedback that does not conflict with fairness, antitrust, or confidentiality issues and build this approach into the solicitation process moving forward.

The Proposal Process

- **Issue:** CEDMC questions the viability and necessity of the current two-stage proposal process (RFA/RFP). From the market's perspective, a significant amount of effort goes into the RFA process, which contributed to schedule delays, contained highly speculative estimates, and did not result in achieving progress.
- **Proposed Solution:** The IOU should move to a new two-stage process for future solicitations. First pre-qualify bidders through a Request for Qualifications (RFQ) process. Then issue RFPs to qualified bidders. This additional step will result in a faster outcome without losing any valuable information.

Risk Burden

- **Issue:** The contracting positions now being taken by the IOUs tilt the balance of risk almost entirely to the implementer community. This shift runs counter to CPUC policy and completely upends implementer business models that IOUs need to shoulder their share of the risk because they are afforded the benefit of cost recovery and shareholder incentives; none of those mechanisms apply to third-party implementers.
- **Proposed Solution:** CEDMC recommends that the CPUC confidentially engage bidders to learn more about specific examples of risk burdens that they experienced during prior negotiations. Once more information has been gathered by the CPUC, then it would then be appropriate for the CPUC to order the IOUs to modify their contracting approaches to better align with industry needs, capabilities, and expectations.

COVID-19 Impacts

The CPUC's Energy Division presented the impacts of the COVID-19 pandemic on the IOUs' Energy Savings Assistance (ESA) and EE Programs. The IOUs suspended ESA programs on March 23, 2020 and lifted the suspension on June 1, 2020. In May 2020, the CPUC directed all EE Program Administrators (PAs) to follow appropriate state and local health orders in place. There is no need for the IOUs to have more restrictive rules on suspending EE programs than required by state or local law. All EE PAs are currently required to file new business plans by September 2021.

The Natural Resources Defense Council (NRDC) led the discussion on the impacts of COVID-19, seeking input on regulatory or administrator barriers to moving programs to remote implementation, challenges to meeting goals, and protocols on safely returning to work.

Discussion points included the following:

- **PA Processes:** The existing process is operationalized and appears to be working in a remote work environment.
- **CPUC Role in Economic Recovery:** There were discussions about the current situation and limitations on EE in a COVID environment and about possibly relaxing cost-effectiveness requirements, with no final resolution. The group also discussed potential benefits for the role EE can play in an economic-recovery environment.
- **Programs Going Remote:** The group discussed what can be learned along the way that we can approve/streamline/speed up to move projects from concept to implementation more quickly and what remote elements of validation are viable, not just in the short-term, but over the long-term.

Breakout Sessions

Breakout sessions focused on **bidder feedback, risk allocation, and engaging bidder participation** and followed with a debrief of items brought forth. Each breakout group provided a quick report out describing the problems and potential solutions to improve the third-party solicitation process and bidder participation that the working groups took away to determine the best way to act on these concerns.

Bidder Feedback

- Bidders want more useful, meaningful feedback to understand why they are not selected so that they can improve their proposals in the future.
- Bidders want more specific information on how they scored in different categories.
- Bidders want feedback at each of the stages—RFA, RFP, and during contract negotiations.
- Feedback should be timely. If there is any feedback, it is provided long after contracts are awarded.

Risk Allocation

- Bidders seek more clarification on terms and conditions regarding unalterable and changeable items.
- Stakeholders discussed risk balance and how implementers are taking on more risk in contracts. The negotiation process offers the opportunity to negotiate risks. It is important to clearly outline the risk expectations of both parties.

Encouraging Bidder Participation

- Stakeholders recommended the CPUC revisit the RFA/RFP submission structure due to questioning the efficiency of the RFA/RFP process given the detail needed. They recommended an evaluation and exploration on the CPUC's intent to see if the structure can be addressed differently.
- Stakeholders seek training on how to submit a proposal and use the CET correctly before committing to participation (e.g., public training on how to participate).
- Stakeholders recommended the creation of some kind of bidding structure, identification, or network to enable smaller, less experienced bidders to partner with bigger, more experienced bidders. Ideas included enabling partnering through possible networking events.

Many of these items will be addressed at the next Semi-Annual Report workshop.

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

Energy Efficiency Independent Evaluators' Semi-Annual
Report on the

Local Residential Single Family Solicitation

Reporting Period: April 2020 through September 2020

Prepared by:
The Mendota Group, LLC



THE MENDOTA GROUP, LLC
— the power of bright ideas —

December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Local Residential Single Family Program

1. Solicitation Overview

This Report covers the activities associated with the Local Residential Single Family solicitation for the period from April 2020 through September 2020. During the period covered by this Report, Southern California Gas Company (SoCalGas or the Company) engaged in contract negotiations with the [REDACTED] selected from the Request for Proposal (RFP) stage. SoCalGas completed negotiations and executed contracts with [REDACTED] bidders. Unless specifically mentioned, all solicitation references in this Report relate to Contracting. The Request for Abstract (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. 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 Multifamily Report.

1.1. Overview

SoCalGas' first phase of solicitations focused on the residential sector, which accounts for approximately 52 percent of the natural gas consumption among SoCalGas' customer classes, according to the SoCalGas Solicitation Plan. SoCalGas' desired outcomes for its residential energy efficiency (EE) programs are to transform the sector to ultra-high levels of EE, while integrating other customer demand-side management options—including clean renewables—on a site-specific basis.

Scope

This solicitation encouraged the exploration of all relevant delivery channels to produce a cost-effective program to maximize natural gas, electric, and water efficiency savings for residential single-family 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. Utilization of various delivery channels, such as (but not limited to) direct install, can facilitate the delivery of EE retrofits to reduce energy and water use, resulting in comprehensive EE savings from the residential single-family segment.

This resource program solicitation aimed to obtain program ideas to address various segment barriers identified in SoCalGas' Business Plan. Potential strategies aimed at achieving comprehensive energy efficiency included, but were not limited to:

- Providing simple, low-cost EE retrofits;
- Incorporating customer copays for comprehensive, higher-cost EE retrofits;
- Leveraging available financing options to fund project copays (e.g., Residential Energy Efficiency Loan program [REEL], Property Assessed Clean Energy financing [PACE], etc.); and
- Including ways to use local contractors and vendors.

This solicitation sought bids for programs that would be available to all residential single-family

customers throughout SoCalGas' service territory with flexibility to target specific customers based on criteria such as specific climate zones, income levels, transmission/distribution system needs, hard-to-reach (HTR) customers, and members of disadvantaged communities (DACs).

Objectives

The objective of this solicitation was to invite the EE industry to collaborate with SoCalGas in offering an innovative program for the residential single-family market segment. The solicitation was based on the needs and strategies provided in SoCalGas' Business Plan as a tactic to achieve deeper EE savings.

1.2. Timing

In November 2018, SoCalGas released the RFA for its Single Family solicitation. Table 1.2 provides the Single Family solicitation's key milestones. Contracts with two bidders—Global Energy Services, Inc. (Global Energy Services or GES) for its Community Language Efficiency Outreach (CLEO) Program; and Synergy Companies, for its Residential Advanced Clean Energy Program—were signed on September 21, 2020. At the time of this writing, SoCalGas was preparing its Advice Letter filing for one of the contracts, Synergy's Residential Advanced Clean Energy Program.

Table 1.2: Key Milestones	
Milestones	Completion Date
RFA	
RFA Released	November 26, 2018
Optional Bidder Webinar	December 5, 2018
Questions Due from Bidders	December 10, 2018
Responses Provided by SoCalGas	December 17, 2018
Bidder Abstracts Due	January 7, 2019
Stage One Abstract Review Period Ends	January 31, 2019
Calibration Meetings Held	February 19 & 21, 2019
Shortlist Meetings Held	March 4, 2019
Shortlist Presented to Procurement Review Group (PRG)	March 5, 2019
RFP	
RFP Released	July 31, 2019
Optional Bidder Webinar	August 8, 2019
Questions Due from Bidders – Round 1	August 13, 2019
Responses Provided by SoCalGas – Round 1	August 20, 2019
Questions Due from Bidders – Round 2	August 23, 2019
Responses Provided by SoCalGas – Round 2	August 28, 2019
Bidder's Proposal Due in PowerAdvocate	September 11, 2019
Calibration Meetings Held	October 9, 2019
Shortlist Meetings Held	October 21, 2019
Shortlist Presented to PRG	November 5, 2019
Contracting & Implementation	
Selected Bidder(s) Notified	January 22, 2020
Contracts Presented to PRG	September 1, 2020

Table 1.2: Key Milestones	
Milestones	Completion Date
Contracts Executed	September 21, 2020 ¹¹
Advice Letter Filed	October 2020
Contract Begins (Notice to Proceed)	August 5, 2020 for GES CLEO (no Advice Letter) November 2020 for Synergy's Residential Advanced Clean Energy (requires Advice Letter)
Implementation Plan Uploaded to CEDARS	August 4, 2020 for GES CLEO January 2021 for Synergy's Residential Advanced Clean Energy
Program Launch	January 2021

1.3. Key Observations

Table 1.3 presents an overview of the key issues, observations, and Independent Evaluator (IE) recommendations during the Contracting stage of the Residential Single Family solicitation.

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



¹¹ SoCalGas originally executed the GES contract in June 2020. However, the contract was subsequently amended in September to add budget and scope as discussed in Sections 7.1 and 7.2.

Table 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
Communication with Bidders During Contract Negotiations	[REDACTED]	[REDACTED]	[REDACTED]

2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

While the solicitation outreach activities, communications, and solicitation design were originally addressed as part of the previous Semi-Annual Report, the IE continues to believe that they have resulted in a robust, competitive solicitation. Table 2.1 provides statistics on the bidder response to the Single Family solicitation.

Table 2.1: Solicitation Response	
	Number
Abstracts Expected	[REDACTED]
Abstracts Received (including Disqualified/Failed)	[REDACTED]
Abstracts Disqualified/Failed	[REDACTED]
Proposals Invited	[REDACTED]
Proposals Received (including Disqualified/Failed)	[REDACTED]
Proposals Disqualified/Failed	[REDACTED]
Bidders Advanced to Contracting	[REDACTED]

* One bidder, without explanation, opted not to submit a Proposal.

2.2. Bidder's Conference and Q&A

There were no bidder conferences or Q&A opportunities provided during the Contracting stage covered by this Semi-Annual Report.

2.3. Solicitation Design Assessment

SoCalGas' solicitation design—to offer both Residential Single Family and Multifamily solicitations—met the program portfolio need as presented in its Business Plan and Solicitation Plan, both approved by the California Public Utilities Commission (CPUC or Commission). 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 Residential Single Family solicitation has been conducted as a two-stage process and has actively involved both the PRG and IE at every stage.

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

The RFA stage of the Single Family solicitation was addressed in the June 2019 Semi-Annual Report.

3.2. RFP Design Requirements and Materials

The RFP stage of the Single Family solicitation was addressed in the December 2019 Semi-Annual Report.

3.3. Response to PRG and IE Advice

The RFA stage of the Single Family solicitation was addressed in the June 2019 Semi-Annual Report, and the RFP stage was addressed in the December 2019 Semi-Annual Report.

4. Bid Evaluation Methodology Assessment

4.1. Bid Screening Process

The RFA bid evaluation methodology was described in the June 2019 Semi-Annual Report. The RFP bid evaluation methodology was described in the December 2019 Semi-Annual Report.

4.2. Scoring Rubric Design

The RFA and RFP scoring rubrics for the Single Family solicitation were discussed in the December 2019 Semi-Annual Report.

4.3. Evaluation Team Profile

The RFA Evaluation Team profile was addressed in the June 2019 Semi-Annual Report. The RFP evaluation team profile was described in the December 2019 Semi-Annual Report.

4.4. Response to PRG and IE Advice

Not applicable to this reporting period.

5. Final Bid Selection Assessment

5.1. Conformance with Established Evaluation Processes

The RFA stage of the Single Family solicitation was addressed in the June 2019 Semi-Annual Report. The RFP stage was addressed in the December 2019 Semi-Annual Report.

5.2. Shortlist and Final Selections

a. Final Selection Process

At the RFA and RFP stages, SoCalGas' selections generally aligned with the IE's shadow scores. With one exception (as discussed further in Section 5.4), we agreed with SoCalGas decisions about which bids to advance to RFP and to Contracting. [REDACTED]

[REDACTED] It is important for IOUs to clearly communicate to bidders about technologies or areas of focus that are not permitted (so bidders do not waste their time on disqualifying bids) and about other programs that that will continue to serve the target customer segment (so bidders can adjust their responses to ensure they do not overlap with other programs).

Final bidders selected for contracting and contract not-to-exceed (NTE) amounts are shown in Table 5.2. The contract terms for both programs run for three years following the contract's Effective Date. According to the contract, the Effective Date is the date that the CPUC approves the Advice Letter. SoCalGas selected a third bidder for contracting, [REDACTED]

Company	Contract NTE	Date Executed
Global Energy Services, Inc.	[REDACTED]	September 21, 2020
Synergy Companies	[REDACTED]	September 21, 2020

b. Portfolio Fit

The Single Family solicitation and the selected programs are consistent with SoCalGas' Business Plan, and the selected contractors meet the objectives outlined in the Business Plan. Therefore, the selected programs and contractors are good fits for SoCalGas' portfolio.

5.3. Affiliate Bids and Conflicts of Interest

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

5.4. Response to PRG and IE Advice

At the RFA stage, although the PRG generally supported SoCalGas' selections, members raised concerns about the way the Company developed its shortlist. As described by IEs, SoCalGas presented its final selections (shortlist) to IEs rather than involving the IEs in discussions to develop the shortlist. SoCalGas acknowledged this mistake and committed to change its approach. 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 the RFP stage, 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 HTR customers and DACs. We agreed that serving these populations was important, but we stated that the scorecard should reflect this priority and that such information should be clearly communicated to the bidder community so that other bidders could propose programs with such a focus.

The PRG reviewed the bids selected to advance from RFP to Contracting at its November 5, 2019 meeting. As noted [REDACTED]

[REDACTED]

[REDACTED] This was particularly troublesome given that SoCalGas had [REDACTED] in response to a request from the PRG; however, even with the higher weightings the proposal [REDACTED]

[REDACTED] Examples of these deviations might include if the proposed program targets a specific niche that is not well addressed by other proposals ([REDACTED] or if the proposal addresses a CPUC requirement that other programs do not adequately address [REDACTED]

[REDACTED] SoCalGas opted to advance the program.

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

6. Assessment of Selected Bids

6.1. 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, [REDACTED]

[REDACTED] focused primarily on HTR customers and DACs. The two programs complement each other and other programs in SoCalGas' portfolio. [REDACTED]

6.2. Bid Selections Provide Best Overall Value to Ratepayers – [REDACTED]

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.”¹² 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 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.

[REDACTED]

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 [REDACTED] 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 Program [REDACTED]

[REDACTED] The program leverages other IOU electric, municipal electric, and local agency clean energy single-family

¹² Decision 18-01-004, p. 37-38.

¹³ 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.

program opportunities as well as other natural gas clean energy, electric, and carbon emission-reduction 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 Energy Data and Reporting System (CEDARS).¹⁴ The Residential Sector information does not include results or budget for the Company’s Behavioral program or its low-income Energy Savings Assistance (ESA) program as these two programs represent almost 90 percent of the sector’s theme savings and are not directly comparable to the programs selected in this solicitation.

Item	Synergy Residential Advanced Clean Energy Program Budget ¹⁵	SoCalGas Residential Sector Results
First Year Budget / Spending		\$28,045,341
Integrated Demand-Side Management (IDSM) Budget	N/A	N/A
Gas Savings (Net first-year therms)	252,856	1,896,085
Gas Savings (Net lifecycle therms)	2,458,701	18,699,513
Electric Savings (Net first-year kWh) ¹⁶	2,401,436	6,325,889
Net-to-Gross (therms)	0.80	0.64
Net-to-Gross (kWh)	0.90	0.63
NPV of Net Lifecycle Benefits ¹⁷	\$1,343,362	-\$16,756,333
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) ¹⁸	\$0.44	\$0.77

¹⁴ 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/>

¹⁵ 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.

¹⁶ We used an average program single year to match with the single year of SoCalGas’ Residential sector results (excludes Behavioral program and ESA).

¹⁷ Net supply and other costs avoided minus participant and program costs.

¹⁸ 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.

Item	Synergy Residential Advanced Clean Energy Program Budget ¹⁵	SoCalGas Residential Sector Results
Lifecycle Acquisition Cost/kWh (PAC levelized cost) ¹⁹	\$0.07	Not Available
Simple Acquisition Cost (\$/therm) ²⁰	\$1.22	\$1.50
Simple Acquisition Cost (\$/lifecycle mMBTU) ²¹	\$9.36	\$13.50
Disadvantaged Communities (% of savings from)	60%	4.4%
Hard-to-Reach 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 participating in EE programs.²² 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 [REDACTED] which, as evidenced by Table 6.2a, should help increase SoCalGas' overall portfolio TRC for the Residential Sector. Innovative features include making offerings more comprehensive for customers through [REDACTED]

[REDACTED] In addition, the program has an aggressive target of 60 percent of its savings coming from HTR customers and those living within DACs.

The 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).

¹⁹ 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.

²⁰ Simple acquisition cost per lifecycle therm divided the total budget by the program's total lifecycle energy savings.

²¹ 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.

²² SB 350 is the Clean Energy and Pollution Reduction Act of 2015.

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350.

Further, based on the 2019 Navigant Market Potential Study,²³ the SoCalGas non-low-income program Residential Sector potential for 2021 is approximately [REDACTED] to [REDACTED] 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 (M&V) requirements are limited to confirmation of installations, ensuring that measures are working properly, and inspections of a sampling of installations.

e. Compensation

The [REDACTED] compensation structure is [REDACTED] percent performance based. We use "performance-based" to distinguish from "pay-for-performance", a term that per CPUC Decision 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" [REDACTED]

[REDACTED] The [REDACTED] percent that is not performance-based is associated with M&V 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 third-party 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 6.2b shows how contractor compensation amounts change based on achievement of different levels of savings.



²³ The study documents are available at: <https://www.cpuc.ca.gov/General.aspx?id=6442461220>. The interactive web-based analytics are available at: <http://acp.analytica.com/acpbeta/shared/#dash/fca42209-b98d-4e83-852f-3d075f99ce9b>.



As shown in Table 6.2b, reductions in savings achievements do not have a significant effect on \$/therm or \$/lifecycle mmBTU, largely because less than █ 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 6.2c below shows the █ and how each aligns with the Company’s Portfolio and Residential Sector (Single Family Segment) metrics. The metrics are referenced on page 16 of SoCalGas’ “Request for Approval of Annual Energy Efficiency Budget Filing for Program Year 2020” (Annual Budget Advice Letter U904-G/5510-E).

█	█	█
█	Yes	Yes
	No	No
	Yes	Yes
	Yes	Yes
	No	No
	No	No
	Yes	Yes
	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.

6.3. Bid Selections Provide Best Overall Value to Ratepayers – █

a. Brief Program Description

As described in its contract, the CLEO Program “will provide residential in-language, Marketing, Education and Outreach (“ME&O”) and direct install of residential energy efficiency measures, targeting the HTR/DAC Chinese, Vietnamese, Korean, Hispanic and other ethnic communities of LA and Orange Counties and areas mutually agreed upon both parties.” █

SoCalGas felt strongly that this program could play an important role in serving its Residential Sector customers, primarily due to its focus on HTR customers and DACs.

b. Quantitative Program Information

The following table shows a summary of the

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.²⁴ The Residential Sector information does not include results or budget for the Company's behavioral program or its low-income ESA 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.

Item	GES CLEO Contract ²⁵	SoCalGas Residential Sector Results
Single-Year Budget / Spending		\$28,045,341
IDSM Budget	N/A	N/A
Gas Savings (Net first-year therms)	33,695	1,896,085
Gas Savings (Net lifecycle therms)	335,690	18,699,513
Electric Savings (Net first-year kWh)	N/A	6,325,889
Net-to-Gross (therms)	0.72	0.64
Net-to-Gross (kWh)	N/A	0.63
NPV of Net Lifecycle Benefits ²⁶	(\$592,123)	(\$16,756,333)
Total Resource Cost (TRC) Test	0.32	0.56
Program Administrator Cost (PAC) Test	0.32	0.79
Lifecycle Acquisition Cost/therm (PAC levelized cost) ²⁷	\$2.60	\$0.77
Lifecycle Acquisition Cost/kWh (PAC levelized cost) ²⁸	N/A	Not Available

²⁴ The Annual Report is accessible from: <https://www.socalgas.com/regulatory/efficiency>. The 2019 claims are accessible from <https://cedars.sound-data.com/reports/summary/>.

²⁵ 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.

²⁶ Net supply and other costs avoided minus participant and program costs.

²⁷ 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.

²⁸ 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.

Item	GES CLEO Contract ²⁵	SoCalGas Residential Sector Results
Simple Acquisition Cost (\$/ therm) ²⁹	\$2.93	\$1.50
Simple Acquisition Cost (\$/lifecycle mmBTU) ³⁰	\$29.29	\$13.50
Disadvantaged Communities (% of savings from)	70%	4.4%
Hard-to-Reach Customers (% of savings from)	70%	3.6%

The CLEO Program aligns with California energy policies in helping achieve energy savings and other benefits in the Residential Single Family segment with a particular focus on HTR customers and DACs. Specifically, the program aligns with Senate Bill 350's pursuit of doubling statewide energy efficiency savings by 2030 and seeking to overcome barriers to DACs participating in EE programs.³¹ The CLEO Program relies primarily on education and outreach to raise customer awareness about energy savings opportunities and also provides direct install services for a limited set of measures.

CLEO's innovative features relate to its focus on Chinese, Vietnamese, Korean, Hispanic, and other underserved communities, and efforts to engage these communities in EE activities through in-language presentations and engagements. The program has a target of 70 percent of its savings coming from HTR reach customers and those living within DACs and, therefore, should contribute to increasing the percentage of savings SoCalGas receives from these communities (noting that the current CLEO Program is already included in the Residential Sector's percentages).

The CLEO Program's energy savings are low, at 101,086 first-year therms over three years (average of approximately 34,000 per year). Using 2019 results as a guide, the program would contribute approximately 2 percent to SoCalGas' non-behavioral, non-ESA residential savings. The program will benefit the Residential Sector mainly through education and outreach to communities that otherwise do not actively participate in EE activities.

Further, based on the 2019 Navigant Market Potential Study,³² 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 CLEO program's goals equal about 2.4

²⁹ Simple acquisition cost per lifecycle therm divided the total budget by the program's total lifecycle energy savings.

³⁰ 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.

³¹ SB 350 is the Clean Energy and Pollution Reduction Act of 2015.

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350.

³² The study documents are available at: <https://www.cpuc.ca.gov/General.aspx?id=6442461220>. The interactive web-based analytics are available at: <http://acp.analytica.com/acpbeta/shared/#dash/fca42209-b98d-4e83-852f-3d075f99ce9b>.

percent of this Residential Single Family rebate program potential.

c. Measurement and Verification

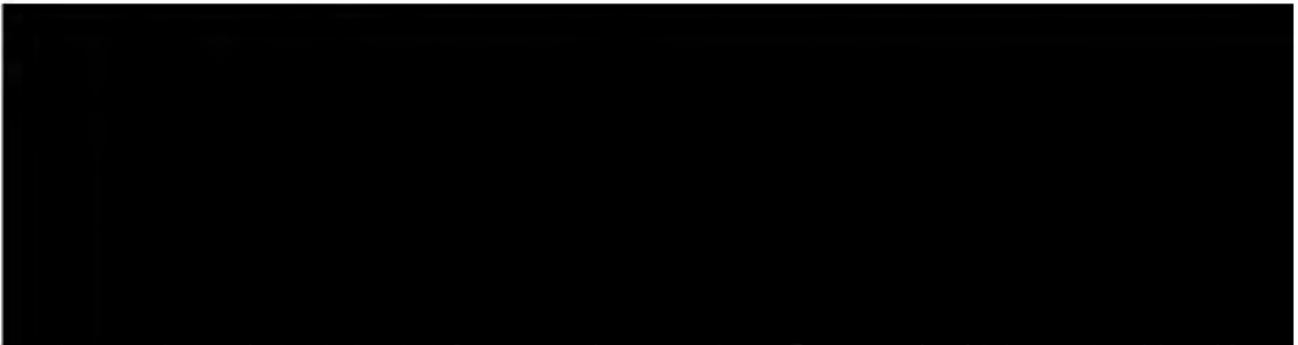
The CLEO Program primarily consists of deemed measures and, therefore, its M&V requirements are limited to confirmation of installations, ensuring that measures are working properly, and inspections of a sampling of installations.

d. Compensation

The [REDACTED] We use “performance-based” to distinguish from “pay-for-performance”, a term that per CPUC Decision 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. Deliverables payments are primarily associated with in-language EE seminars, in-language community booths, and school outreach. The performance-based payments are based on “payment per widget” wherein SoCalGas pays [REDACTED]

We believe this approach strikes a reasonable balance between utility and third-party interests, from the standpoint that the program relies heavily on education and outreach and it would be difficult to tie a large portion of compensation directly to energy savings.

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 have an appreciable effect on \$/lifecycle therm or \$/lifecycle mmBTU because a large portion of the budget is not tied to energy savings. The \$/lifecycle therm and \$/lifecycle mmBTU spike at 25 percent because the portion of the program that is not tied to energy savings [REDACTED] is an even larger percentage of the limited amount of remaining spending.

³³ This table assumes that percentages of goal savings equate to the same percentage reduction in spending for the portion of compensation that is tied to measure installations. It is further assumed that the program will meet its deliverables goals (and pay this portion of the budget) even it falls short on its savings goals.

e. *Supports Portfolio and Applicable Sector Metrics Achievements*

The Program’s KPIs align well with SoCalGas’ portfolio and sector metrics. Table 6.3c 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 SoCalGas’ “Request for Approval of Annual Energy Efficiency Budget Filing for Program Year 2020” (Annual Budget Advice Letter U904-G/5510-E).

Table 6.3c: Contract KPIs and SoCalGas Metrics

KPI	Portfolio Metric	Single Family Segment Metric
[REDACTED]	Yes	Yes
	No	No
	Yes	Yes
	Yes	Yes
	No	No
	No	No
	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.

7. Reasonableness of Contracting Process

7.1. Collaboration on Final Program Design and Scope

a. Synergy

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 [REDACTED] a portion of the funds that were originally designated for another selected bidder (see Section 5.2(a)). The [REDACTED] 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 (tankless water heaters, 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 [REDACTED] 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.” [REDACTED] and SoCalGas did not result in a violation of the requirement that the program be designed by the third party.

b. [REDACTED]

SoCalGas [REDACTED] two counties not part of the program's scope in the early part of contract negotiations, incorporating additional measures and establishing a process to refer opportunities for deeper savings [REDACTED]

[REDACTED] 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).

Other than the addition of measures and the expanded scope, the bidder's proposed program design did not change substantially from what was proposed. [REDACTED] the CPUC's definition of a third-party program per OP 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."

7.2. Fairness of Negotiations

a. [REDACTED]

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. [REDACTED]

[REDACTED] 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 [REDACTED]. 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.

b. [REDACTED]

We believe the contract negotiations were fair and did not require the bidder to incur any uncompensated costs. Other than a limited set of changes to the program as a result of budget adjustments and revisions to measures offered, contract negotiations were relatively quick. Although the original contract negotiation process from start to finish took approximately 84 days, SoCalGas re-engaged the contractor to add scope and budget. [REDACTED]

7.3. Changes to Contract Terms & Conditions

There were no issues with respect to changes to the CPUC's Modifiable Contract Terms and Conditions (Ts&Cs) for either contract. The CPUC's Standard Contract Ts&Cs were also adopted, unchanged.

7.4. Conformance with CPUC Policies and Objectives

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

Changes to any aspects of Ts&Cs (no changes to CPUC Standard, limited changes to Company Ts&Cs and CPUC Modifiable Contract Ts&Cs).	There were no changes to the Ts&Cs.
Contract is consistent with CPUC incentive guidelines.	Majority of 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 the contractor to align incentives with energy savings activities (as would be the case with Normalized Metered Energy Consumption (NMEC)).
Contract is consistent with M&V Plan with NMEC guidelines.	As a 100% deemed savings program, the Implementation Plan 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 Implementation Plan.
Reasonable number of KPIs.	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.	
Contract clearly addresses Support Services.	
Innovative aspects of program are retained.	Generally, yes. Program's innovation stems from incorporating walk-through audits, water measures, and measures offered together with air-quality 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, IDSM components 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 HTR customers and 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 contractor were reasonable and fair. The major changes proposed were requests from SoCalGas to adding some longer-lived measures (tankless water heaters, fireplace inserts) and efforts to add more comprehensive projects.
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Changes to any aspects of Ts&Cs (no changes to CPUC Standard, limited changes to Company Ts&Cs and CPUC Modifiable Contract Ts&Cs).	There were no changes to the CPUC Standard terms, the Company's terms, or the Modifiable Ts&Cs.
Contract is consistent with CPUC incentive guidelines.	Resource aspect of program is direct install and provides free installed measures to customers. Therefore, there are no tiered incentives and there is not a way to build in mechanisms that allow the contractor to align incentives with energy savings activities (as would be the case with NMEC).
Contract is consistent with M&V Plan with NMEC guidelines.	The Implementation Plan will include an M&V component specifying the number of projects inspected after installation and to ensure quality workmanship.
Reasonable number of KPIs.	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 services to HTR customers and DACs. SoCalGas sought to ensure that the KPI language was consistent across its Single-Family and Multifamily contracts.
Contract includes appropriate Performance Issue Remedies.	[REDACTED]
Contract clearly addresses Support Services.	[REDACTED]
Innovative aspects of program are retained.	Yes. Program's innovation stems from focus on ethnic communities and its effort to engage these communities in EE program activities through in-language presentations and engagements.
If applicable, IDSM components 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 HTR customers and DACs are incorporated.	The program is almost entirely focused on serving HTR customers and DACs. The contract places further emphasis on this aspect in terms of setting KPIs that ensure the focus is maintained.
Business Enterprise (DBE)/Committed DBE Spend	[REDACTED]

<p>Changes proposed by SoCalGas or Contractor were reasonable and fair.</p>	<p>Yes, proposed changes from SoCalGas and from contractor were reasonable and fair. The major changes proposed were requests from SoCalGas to add some longer-lived measures (water heaters) and limit the portion of the program that targeted schools (due to overlap with other programs) and changes to the budget.</p>
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7.5. Uniformity of Contract Changes

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

8. Conclusion

As noted, 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 contracted programs 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 filing.

Energy Efficiency Independent Evaluators' Semi-Annual
Report on the

Local Residential Multifamily Solicitation

Reporting Period: April 2020 through September 2020

Prepared by:
The Mendota Group, LLC



THE MENDOTA GROUP, LLC
— the power of bright ideas —

December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Local Residential Multifamily Program

1. Solicitation Overview

This Report covers the activities associated with the Local Residential Multifamily solicitation for the period from April 2020 through September 2020. During the period covered by this Report, Southern California Gas Company (SoCalGas or the Company) engaged in contract negotiations with [REDACTED] selected from the Request for Proposal (RFP) stage. SoCalGas completed negotiations and executed contracts with [REDACTED]. Unless specifically mentioned, all solicitation references in this Report relate to Contracting. The Request for Abstract (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. 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.

1.1. Overview

SoCalGas' first phase of solicitations focused on the residential sector, which accounts for approximately 52 percent of the natural gas consumption among SoCalGas' customer classes, according to the SoCalGas Solicitation Plan. SoCalGas' desired outcomes for its residential energy efficiency (EE) programs are to transform the sector to ultra-high levels of EE, while integrating other customer demand-side management options—including clean renewables—on a site-specific basis.

Scope

This solicitation encouraged the exploration of all relevant delivery channels to produce a cost-effective program to maximize natural gas, electric, and water efficiency savings for residential multifamily customers. Although traditional programs have proven successful, the legislative and regulatory mandate of doubling the EE target required more aggressive and comprehensive efficiency upgrades. Utilization of various delivery channels, such as, but not limited to, direct install, can facilitate the delivery of EE retrofits to reduce energy and water use, thereby resulting in comprehensive EE savings from the residential multifamily segment.

This resource program solicitation aimed to obtain program ideas to address various segment barriers identified in SoCalGas' Business Plan. Potential strategies aimed at achieving comprehensive energy efficiency include, but are not limited to:

- Providing simple/low-cost EE retrofits;
- Customer copays for comprehensive/higher-cost EE retrofits;
- Leveraging available financing options to fund project copays (e.g., Residential Energy Efficiency Loan program [REEL], Property Assessed Clean Energy financing [PACE], On Bill Financing [OBF], etc.);
- Including ways to use local contractors and vendors;
- Benchmarking;
- Enhancing the single point-of-contact concept; and

- Addressing the split-incentive issue.

This solicitation sought bids for programs that would be available to all residential multifamily customers throughout SoCalGas’ service territory but should also include the flexibility to target specific customers based on criteria such as specific climate zones, income levels, transmission/distribution system needs, hard-to-reach (HTR) customers, and members of disadvantaged communities (DACs).

Objectives

The objective of this solicitation was to invite the EE industry to collaborate with SoCalGas in offering an innovative program for the residential multifamily market segment. This solicitation was based on the needs and strategies provided in SoCalGas’ Business Plan as a tactic to achieve deeper EE savings.

1.2. Timing

In November 2018, SoCalGas released the RFA for its Residential Multifamily solicitation. Table 1.2 provides the Multifamily solicitation’s key milestones. SoCalGas signed a contract with one bidder—ICF Resources, LLC (ICF) for its Multi-family Energy Alliance Program (MEA)—on September 21, 2020. At the time of this writing, SoCalGas was preparing its Advice Letter filing for this contract. SoCalGas also remains in [REDACTED]

Table 1.2: Key Milestones	
Milestones	Completion Date
RFA	
RFA Released	November 26, 2018
Optional Bidder Webinar	December 5, 2018
Questions Due from Bidders	December 10, 2018
Responses Provided by SoCalGas	December 17, 2018
Bidder Abstracts Due	January 7, 2019
Stage One Abstract Review Period Ends	January 31, 2019
Calibration Meetings Held	March 6 & 7, 2019
Shortlist Meetings Held	March 22, 2019
Shortlist Presented to Procurement Review Group (PRG)	April 2, 2019
RFP	
RFP Released	July 31, 2019
Optional Bidder Webinar	August 8, 2019
Questions Due from Bidders – Round 1	August 13, 2019
Responses Provided by SoCalGas – Round 1	August 20, 2019
Questions Due from Bidders – Round 2	August 23, 2019
Responses Provided by SoCalGas – Round 2	August 28, 2019
Bidder’s Proposal Due in PowerAdvocate	September 11, 2019
Calibration Meetings Held	October 14 & 16, 2019
Shortlist Meetings Held	October 21, 2019
Shortlist Presented to PRG	November 5, 2019
Contracting & Implementation	
Selected Bidder(s) Notified	January 22, 2020

Table 1.2: Key Milestones	
Milestones	Completion Date
Contract Presented to PRG	September 1, 2020
Contract Executed	September 21, 2020
Advice Letter Filed	November 2020
Contract Begins (Notice to Proceed)	[REDACTED]
Implementation Plans Uploaded to CEDARS	March 2021
Program Launch	March 2021

1.3. Key Observations

Table 1.3 presents an overview of the key issues, observations, and Independent Evaluator (IE) recommendations during the Contracting stage of the Residential Multifamily solicitation.

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

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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2. Solicitation Outreach and Bidder Response

Because this solicitation is at the Contracting stage, there is no solicitation outreach. This section therefore discusses only the number of bidders invited to participate in the RFP stage, the responses received, and the number disqualified.

2.1. Bidder Response to Solicitation

Table 2.1 provides statistics on the bidder response to the Multifamily solicitation.

	Number
Abstracts Expected	
Abstracts Received (including Disqualified/Failed)	
Proposals Invited	
Proposals Received (including Disqualified/Failed)	
Bidders Advanced to Contracting	

2.2. Bidder's Conference and Q&A

There were no bidder conferences or Q&A opportunities provided during the Contracting stage covered by this Semi-Annual Report.

2.3. Solicitation Design Assessment

SoCalGas' solicitation design—to offer both Residential Single Family and Multifamily solicitations—met the program portfolio need as presented in its Business Plan and Solicitation Plan, both approved by the California Public Utilities Commission (CPUC or Commission). 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 Residential Multifamily solicitation has been conducted as a two-stage process and has actively involved both the PRG and IE at every stage.

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

The RFA stage of the Multifamily solicitation was addressed in the June 2019 Semi-Annual Report.

3.2. RFP Design Requirements and Materials

The RFP stage of the Multifamily solicitation was addressed in the December 2019 Semi-Annual Report.

3.3. Response to PRG and IE Advice

The RFA stage of the Multifamily solicitation was addressed in the June 2019 Semi-Annual Report, and the RFP stage was addressed in the December 2019 Semi-Annual Report.

4. Bid Evaluation Methodology Assessment

4.1. Bid Screening Process

The RFA bid evaluation methodology was described in the June 2019 Semi-Annual Report. The RFP bid evaluation methodology was described in the December 2019 Semi-Annual Report.

4.2. Scoring Rubric Design

The RFA and RFP scoring rubrics for the Multifamily solicitation were discussed in the December 2019 Semi-Annual Report.

4.3. Evaluation Team Profile

The RFA Evaluation Team profile was addressed in the June 2019 Semi-Annual Report. The RFP evaluation team profile was described in the December 2019 Semi-Annual Report.

4.4. Response to PRG and IE Advice

The main feedback provided by the PRG and IE regarding the bid evaluation design and process was related to the [REDACTED]. During the RFA stage, individual PRG members suggested [REDACTED].

[REDACTED] There were no significant areas of disagreement between SoCalGas and the IE or PRG in terms of the bid evaluation methodology or process at the RFA stage.

During the RFP stage, in response to input from the IE and PRG members, SoCalGas increased its [REDACTED] “bands” that related to Residential Sector programs. The [REDACTED] was based on SoCalGas’ existing portfolio of residential single family programs.

With respect to evaluating bidder-proposed compensation, also in response to comments from the IE and PRG members, SoCalGas adjusted its scoring to recognize bidders who tied compensation more directly to energy savings; however, we felt more should be done in future solicitations to strengthen this connection. The request sought to make the solicitation more consistent with Decision 18-01-004 (COL 4) which states: “Pay-for-performance arrangements should be encouraged in the third party solicitations and the utility PAs should design payment structures in their standard contracts to address these types of arrangements.” [REDACTED]

5. Final Bid Selection Assessment

5.1. Conformance with Established Evaluation Processes

The RFA stage of the Multifamily solicitation was addressed in the June 2019 Semi-Annual Report. The RFP stage was addressed in the December 2019 Semi-Annual Report.

5.2. Management of Deficient Bids

The RFA stage of the Multifamily solicitation was addressed in the June 2019 Semi-Annual Report. The RFP stage was addressed in the December 2019 Semi-Annual Report.

5.3. Shortlist and Final Selections

a. Final Selection Process

We found the RFA and RFP shortlisting processes to be fair and transparent and that SoCalGas involved the IE in all discussions relevant to selections. At the RFA stage, the IE's shortlist generally matched the IOU's shortlist with two exceptions:

[REDACTED] 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.

[REDACTED] he Company had not notified bidders about this in the RFA, however. It is important for IOUs to clearly communicate to bidders about technologies or areas of focus that are not permitted (so bidders do not waste their time on disqualifying bids) and about other programs that that will continue to serve the target customer segment (so bidders can adjust their responses to ensure they do not overlap with other programs).

At the RFP stage, SoCalGas' rankings and those of the IE were well-aligned. From those rankings, SoCalGas selected the top-ranking bidder,

[REDACTED] and has a decent Total Resource Cost (TRC). As we expressed at the time, we felt that SoCalGas

[REDACTED] In general, the scorecard worked well in reflecting the overall priorities agreed to by SoCalGas, the PRG and the IE; in our view the utility generally shouldn't deviate from its

The first bidder awarded a contract through the Multifamily Solicitation is shown in the table below. The contract term for the ICF program runs through March 31, 2024. According to the ICF contract, the Effective Date is the date that the CPUC approves the Advice Letter. As of the writing of this report, SoCalGas is still in negotiations with the [REDACTED] selected for contracting, [REDACTED] resulting from that process is not yet finalized. Based on the size of that bid's proposed budget and contract term, the program will not require an Advice Letter filing.

Company	Program Name	Contract NTE	Date Executed
ICF Resources, LLC	Multifamily Energy Alliance Program	[REDACTED]	September 21, 2020

³⁴ In our March 29, 2019, PRG Report, we raised concerns that the Multifamily RFA did not notify bidders that behavioral programs were ineligible.

b. Portfolio Fit

The Multifamily Solicitation and the selected programs are consistent with SoCalGas' Business Plan and the selected contractors meet the objectives outlined in the Business Plan. Therefore, the selected programs and contractors are good fits for SoCalGas' portfolio. [REDACTED]

[REDACTED] goals and activities on behalf of the Program:

- Drive EE upgrades in all building and ownership categories by serving Company's Multifamily market from large, corporate-owned portfolios to small, individually owned and managed Multifamily properties, focusing on tenant units and common areas;
- Move as many projects as possible to a comprehensive approach both in tenant units and common areas, in coordination with Company's other multi-family program offerings; and
- Implement turnkey EE retrofits using financial incentives and a direct installation business model to achieve energy and cost savings for both tenants and property owners/managers.

The program will be a very good fit for SoCalGas' portfolio.

5.4. Affiliate Bids and Conflict of Interest

SoCalGas did not receive a bid from an affiliate and there were no identified conflicts of interest during the solicitation process.

5.5. Response to PRG and IE Advice

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

[REDACTED] The Energy Division agreed with the IE, expressing support for advancing [REDACTED] Despite the differing viewpoints, SoCalGas advanced both [REDACTED] [REDACTED] The length of time between the meeting during which the contracts are discussed and completion of contracting is presented in Table 1.2, as well as Sections 7.2 and 7.3.

6. Assessment of Selected Bids

6.1. Bid Selections Respond to Portfolio Needs

The selection of [REDACTED] is consistent with SoCalGas' portfolio needs as identified in its Business Plan, its Solicitation Plan, and its Annual Budget Advice Letter filings. As discussed in Section 6.2(b), [REDACTED] will play an important role in serving SoCalGas' Residential customers. Of note, SoCalGas is in negotiations with [REDACTED] to serve this segment but does not have any current third-party Multifamily programs that will continue.

6.2. Bid Selections Provide 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.”³⁵ 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.

A [REDACTED]
[REDACTED]
Therefore, [REDACTED]
[REDACTED]

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 also provide the best overall value to ratepayers.

In the interest of providing context for the selected bids, 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 portfolio metrics 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 whether the program conforms to CPUC policies and objectives.

b. Brief Program Description

[REDACTED]
As described in its contract, [REDACTED] will “provide services to property owners/managers in common areas and within tenant units. Services in tenant units will be as approved and authorized by property owner or property manager. Contractor will not conduct transactions directly with tenants.

Contractor will offer a deemed incentive structure for the customer measures and primarily a fixed unit-price structure for Contractor compensation. Incentive payments are made to the customer (property owners/managers), and the customer may assign the payment to their trade ally at their

³⁵ D.18-01-004, p. 37-38.

discretion. Services will include:

- Education on the benefits of EE upgrades beyond utility cost savings with an emphasis on building relationships with Multifamily portfolio owners as part of the education process;
- Assessment: Evaluation of properties directly with Multifamily customers and advising them on EE solutions that best meet their needs allowing for multiple paths and a layered approach to upgrade Multifamily properties over time;
- Measure Installation: Program measures will be installed via direct installation or through trade allies;
- Verification/Commissioning: [REDACTED] Incentive to customer or trade ally;
- Incentive Payment: [REDACTED] to customer;
- Evaluation of financing and other program options and assistance with acquiring capital and funding potential EE upgrades, and
- Referral of customer to Company Benchmarking services.”

c. *Quantitative Program Information*

The following table shows a summary of the quantitative goal information extracted from the Multifamily Energy Alliance 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 California Energy Data and Reporting System (CEDARS).³⁶ The Residential Sector information does not include results or budget for the Company's Behavioral program or its low-income Energy Savings Assistance (ESA) 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.³⁷

Item	ICF Resources MEA Contract ³⁸	SoCalGas Residential Sector Results ³⁹
Single-Year Budget / Spending	[REDACTED]	\$28,045,341
Integrated Demand-Side Management (IDSM) Budget	N/A	N/A

³⁶ 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/>

³⁷ 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.

³⁸ 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.

³⁹ Information from SoCalGas' entire portfolio is designated with an asterisk (*).

Item	ICF Resources MEA Contract ³⁸	SoCalGas Residential Sector Results ³⁹
Gas Savings (Net first-year therms)	238,792	1,896,085
Gas Savings (Net lifecycle therms)	2,049,638	18,699,513
Electric Savings (Net first-year kWh)	112,086	6,325,889
Net-to-Gross (therms)	86%	64%
NPV of Net Lifecycle Benefits ⁴⁰	\$14,238	-\$16,756,333
Total Resource Cost (TRC) Test	1.01	0.56
Program Administrator Cost (PAC) Test	1.02	0.79
Lifecycle Acquisition Cost/therm (PAC levelized cost) ⁴¹	\$0.77	\$0.77
Lifecycle Acquisition Cost/kWh (PAC levelized cost) ⁴²	\$0.13	Not Available
Simple Acquisition Cost (\$/therm) ⁴³	\$8.38	\$14.79
Simple Acquisition Cost (\$/lifecycle mmBTU) ⁴⁴	\$9.58	\$13.50
Disadvantaged Communities (% of savings from)	50%	4.4%
Hard-to-Reach Customers (% of savings from)	50%	3.6%

d. Alignment with EE Planning Principles

The MEA 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 energy efficiency savings by 2030.⁴⁵ The MEA program offers direct install measures at no cost to the property owners/managers. The program also offers incentives for deemed measures (non-direct install) on a payment per measure basis (\$/measure installed). Measure packages (bundles) comprised of both direct install and deemed/rebate measures will include co-pays.

As shown in Table 6.2a, the selected program, although marginally cost effective from a TRC perspective, should nonetheless help increase the cost effectiveness of the non-behavioral portion of the SoCalGas' residential sector portfolio. Innovative features include incorporation of its own Single Point of Contact to target Multifamily customers, advanced analytical tools, and

⁴⁰ Net supply and other costs avoided minus participant and program costs.

⁴¹ 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.

⁴² 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.

⁴³ Simple acquisition cost per lifecycle therm divided the total budget by the program's total lifecycle energy savings.

⁴⁴ 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.

⁴⁵ SB 350 is the Clean Energy and Pollution Reduction Act of 2015.

benchmarking. In addition, the program has an aggressive target of 50 percent of its savings coming from HTR customers and those living within DACs.

The MEA 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 238,792 first-year therms annually (716,375 first-year therms over the contract term). Using SoCalGas 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,⁴⁶ 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 Multifamily Energy Alliance Program's goals equal about 17 percent of the residential single-family rebate program savings potential.

e. Measurement and Verification

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

f. Compensation

The programs' compensation structure is [REDACTED] a term that per CPUC Decision 18-01-004 has associated specifically with programs using meter-based savings methodologies (measured and verified savings). [REDACTED] Payments to the contractor for the program are a combination of "payment per widget" (for Direct Install measures and payment per therm (for all other measures). The 5 percent that is not performance-based is associated with program start-up costs.

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 6.2b 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 fairly straightforward and changes to

⁴⁶ 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>.

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 70 percent of savings goals.

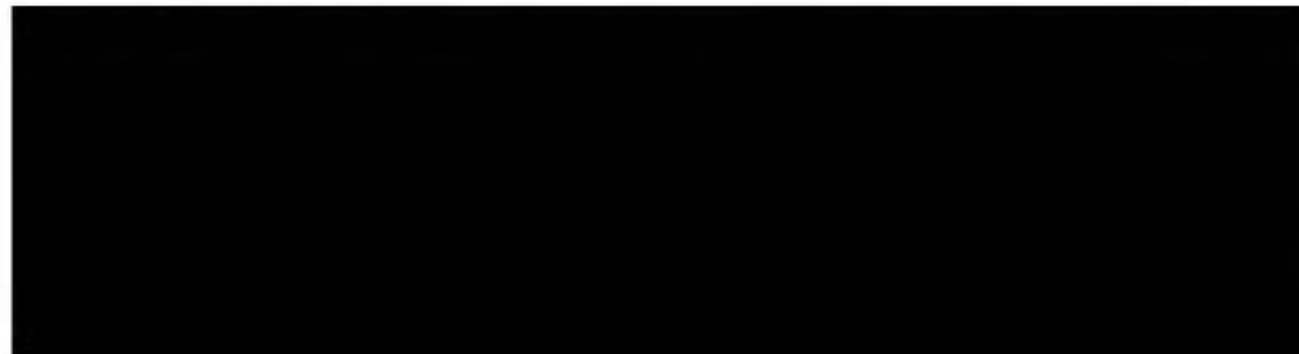


As shown in the table, reductions in savings achievements do not have a significant effect on \$/therm or \$/lifecycle mmBTU, largely because less than 5 percent of the budget is tied to activities that do not produce energy savings. Because we assumed that [REDACTED], [REDACTED] does not increase with savings above goal, the acquisition cost for achievements above goal drop by about 9 percent. This is probably unrealistic, though it is likely that the contractor would request a budget increase if they exceeded goals since, in order to pay for the higher levels of savings, the contract's incentive budget and contractor payment amounts would need to increase.

At the lowest level of achievement (50%), the \$/therm and \$/lifecycle mmBTU increases a bit more because the portion of the program that is not tied to energy savings ([REDACTED]) is a larger percentage of this level of spending.

g. Supports portfolio and applicable sector metrics achievements

The Program's Key Performance Indicators (KPIs) align well with SoCalGas' portfolio and sector metrics. Table 6.2c 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" (ABAL U904-G/5510-E). The KPIs are appropriate to the program and help ensure that the program's goals align with the Company's overall energy efficiency objectives.



[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	No	No
[REDACTED]	Yes	Yes
[REDACTED]	No	No

7. Reasonableness of Contracting Process

7.1. Collaboration on Final Program Design and Scope

SoCalGas and ICF collaborated on the final program design both in terms of ensuring that the program works actively with SoCalGas’ multifamily single point-of-contact (SPOC), removing the whole building portions of the program due to overlap with the Company’s own whole building program (and including referrals, where applicable, to the SoCalGas whole building program), encouraging customers to use SoCalGas benchmarking services, and adding measures to the Direct Install portion of the program. These revisions to the program’s design occurred approximately 55 days into the negotiation process. The budget remained consistent with the amount ICF bid in response to the RFP. The program’s cost effectiveness and savings goals dropped slightly from the original proposal, mainly due to adjustments to the measure mix and updates to technical assumptions. Overall, the bidder’s proposed program design did not change substantially from what was proposed. We believe the collaboration with ICF met the CPUC’s definition of a third-party program per Decision 16-08-019 (OPN 10): “...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 Decision 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 ICF and SoCalGas did not result in a violation of the requirement that the program be designed by the third party.

7.2. 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. [REDACTED]

[REDACTED] 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 55 days, SoCalGas re-engaged the contractor to collaborate on revising elements of the program as discussed in the previous section. The negotiations post re-engagement took considerably more time, requiring approximately 100 days to finish up. This period included PRG review. From start of negotiations to final signature, the overall contracting process took approximately 180 days or more than 6 months.

7.3. 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. Conformance with CPUC Policies and Objectives

7.4. 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 7.4: ICF Contract Alignment with CPUC Policies and Objectives	
Item	Program
Changes to any aspects of Terms and Conditions (no changes to CPUC Standard, limited changes to Company Ts&Cs and CPUC Modifiable Contract Ts&Cs).	There were no changes to the Ts&Cs.
Contract is consistent with CPUC incentive guidelines.	Program includes deemed measures and has a Direct Install delivery channel, delivered through trade allies and subcontractors. ICF's liaison will work with SoCalGas' SPOC to help coordinate trade ally activities and provide a means for customers to identify all available incentives. The program offers a premium incentive rate for HTR or DAC properties 16 percent above the non-HTR or DAC incentive amounts. There are not tiered incentives for equipment because with each measure there is generally a single offering.
Contract is consistent with M&V Plan with Normalized Metered Energy Consumption (NMEC) guidelines.	The Implementation Plan will include an M&V component specifying the number of projects inspected after installation and to ensure quality workmanship.
Reasonable number of KPIs.	Contract has 11 separate KPIs. We consider this at the high end of the number of KPIs a contract should have, but this was a reduction from the number included in prior versions of the contract. As this is a comprehensive program serving the entire Multifamily segment, SoCalGas wanted to ensure that the contractor's metrics aligned with as many of its own metrics as possible. We agreed with this approach.
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 [REDACTED]. The KPIs also apply weightings of 10% each to DAC and HTR, which support the program's aim to deliver 50% of its results to HTR customers and in DACs.
Contract includes appropriate performance issue remedies.	[REDACTED]
Contract clearly addresses Support Services.	[REDACTED]
Innovative aspects of program are retained.	Yes. Program retains its innovative approaches to marketing the program, incorporation of its own liaison to work with the SoCalGas SPOC for its target Multifamily customers, advanced analytical tools, and benchmarking.
If applicable, IDSMS components incorporated.	The program seeks to maximize energy savings opportunities associated with customer engagement, including potential incorporation of electric savings measures through partnerships with electric and water utilities.

Table 7.4: ICF Contract Alignment with CPUC Policies and Objectives

Item	Program
If applicable, program considerations for HTR customers and DACs are incorporated.	The program aims to achieve at least 50 percent participation by HTR and DAC properties/owners using data analytics to assist program’s account management and community/ethnic based outreach teams. Contract includes associated KPIs to maintain the focus.
Business Enterprise (DBE)/Committed DBE Spend.	[REDACTED]. The implementer has committed to spend 12.4 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. There were not many major changes proposed by either side.

7.5. Uniformity of Contract Changes

SoCalGas advanced [REDACTED] to serve the Residential Multifamily segment. [REDACTED] started later and are ongoing. Contract changes were consistent with those adopted in the Single Family solicitation.

8. Conclusion

Overall, SoCalGas conducted the Residential Multifamily solicitation fairly, transparently and without bias. Importantly, the selected program discussed in this report, [REDACTED] and greatly enhance their efficient use of energy. The program will enable SoCalGas and the state to achieve energy-use reduction goals and reduce greenhouse gases.

As noted, there were some issues (failure to involve the IE at certain points, disagreements over one of the contractors selected) that we and the PRG raised during the solicitation process. However, [REDACTED] of developing a new solicitation process. They were largely resolved by the end of the solicitation. We believe that lessons learned have helped inform other solicitations SoCalGas is conducting and plans to conduct in the future.

Energy Efficiency Independent Evaluators' Semi-Annual
Report on the

Local Small and Medium Commercial Solicitation

Reporting Period: April 2020 through September 2020

Prepared by:
Don Arambula Consulting



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Local Small and Medium Commercial Program

1. Solicitation Overview

The Local Small and Medium Commercial (or Commercial) solicitation concluded during this reporting period. Thus, the Energy Efficiency Independent Evaluator's Report (Report) addresses the entirety of Southern California Gas Company's (SoCalGas or the Company) program solicitation including an assessment of the executed contracts that are the products of this solicitation.

1.1. Overview

SoCalGas conducted a Local Small and Medium Commercial energy efficiency (EE) program solicitation. Consistent with California Public Utilities Commission (CPUC or Commission) direction, the solicitation included two-stages, a Request for Abstract (RFA) and a Request for Proposal (RFP) stage. The solicitation adhered to the specific steps outlined in the investor-owned utility's (IOU's) Program Solicitation Plan submitted as part of its EE Business Plan.⁴⁷ Consistent with this Program Solicitation Plan, contained within the IOU's Business Plan, SoCalGas made its final selection at the end of the RFP stage and before entering into contract negotiations with the selected bidders.

Overall, SoCalGas

- ICF Resources, LLC's (ICF) C-BEST Program; and
- Franklin Energy Solution's (FES) Small and Medium Commercial Energy Efficiency Program.

Scope

The Local Small and Medium Commercial program solicitation welcomed qualified bidders to propose, design, implement, and deliver an innovative, resource-based program(s) that provided comprehensive, long-term natural gas EE results for existing very small, small, and medium-sized commercial customers.⁴⁸ Many of SoCalGas' commercial customers are small to medium-sized businesses, which account for approximately 67 percent of the commercial sector energy usage annually.⁴⁹

Objectives

The solicitation was based on the needs and customer group profiles identified in SoCalGas' approved Business Plan. The solicitation was designed to achieve more comprehensive, long-term

⁴⁷ Southern California Gas Company's Energy Efficiency Program Solicitation Plan, dated August 7, 2017.

⁴⁸ See SoCalGas Business Plan, pp. 109-110 and p. 121, available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

⁴⁹ *Id.* p. 109.

energy savings. Interested bidders were encouraged to review and propose innovative programs that could assist SoCalGas in achieving portfolio and sector-level metrics⁵⁰ related to very small, small, and medium customer groups, as well as those customers operating in disadvantaged communities (DACs) and the CPUC-defined hard-to-reach (HTR) customers.⁵¹

1.2. Timing

The RFA and RFP stages of the Local Small and Medium Commercial program solicitation were initiated on time, as originally planned.⁵² The RFA was released in January 2019, and the RFP was released in August 2019. However, due to confusion regarding which proposed programs could advance to contracting, significant delays occurred in beginning contract negotiations with both bidders. Eventually, negotiations began on March 18, 2020 with FES and on June 4, 2020 with ICF. Both bidder negotiations ended with an executed contract, on September 24, 2020 with FES and on August 31, 2020 with ICF. In future solicitations, the IOU should adhere to the CPUC's Energy Division recommendations to limit the contract negotiation phase to no more than 12 weeks.⁵³

Table 1.2 presents a list of key solicitation milestones and completion dates. Unless otherwise noted, all milestone dates were met.

Table 1.2: Key Milestones	
Milestones	Completion Date
RFA	
RFA Released	January 31, 2019
Optional Bidder Webinar	February 7, 2019
Questions Due from Bidders	February 13, 2019
Responses Provided by SoCalGas	February 21, 2019
Bidder Abstracts Due	March 14, 2019
Stage One Abstract Review Period Ends	April 22, 2019
Calibration Meetings Held	May 13–14, 2019
Shortlist Meetings Held	May 16, 2019
Shortlist Presented to PRG	June 4, 2019
RFP	
RFP Released	August 23, 2019
Optional Bidder Webinar	September 4, 2019
Questions Due from Bidders – Round 1	September 9, 2019
Responses Provided by SoCalGas – Round 1	September 16, 2019
Questions Due from Bidders – Round 2	September 19, 2019
Responses Provided by SoCalGas – Round 2	September 24, 2019
Bidder's Proposal Due in Power Advocate	October 7, 2019
Calibration Meetings Held	November 12–13, 2019
Shortlist Meetings Held	November 18, 2019
Shortlist Presented to PRG	December 3, 2019

⁵⁰ See SoCalGas Portfolio and Sector-Level Metrics Compliance Filing, pp. 69-75, available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF>.

⁵¹ Decision 18-05-041, Sections 2.5.1 and 2.5.2.

⁵² 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 caeecc.org.

⁵³ Energy Division Letter Regarding Energy Efficiency Third-Party Solicitation Schedule, date March 11, 2020.

Table 1.2: Key Milestones	
Milestones	Completion Date
Contracting & Implementation	
Selected Bidder(s) Notified	January 22, 2020
Contracts Presented to PRG	
Contract Executed	June 2020 (delayed to August 31 and September 24, 2020)
Contract Implementation – FES Only	
Contract Begins (Notice to Proceed)	September 24, 2020
Implementation Plan Uploaded to California Energy Data and Reporting System (CEDARS)	November 23, 2020
Contract Implementation – ICF Only	
Advice Letter Approved	December 2020 (est.)
Contract Begins (Notice to Proceed)	December 2020 (est.)
Implementation Plan	February 2021 (est.)

1.3. Key Observations

Table 1.3 presents key observations and recommendations made by the IE and shared with the IOU and PRG throughout the solicitation and at its conclusion. Unless otherwise noted, the IOU was provided an opportunity to review, consider, and accept these recommendations. In those instances when the IOU did not agree with the IE recommendation, the IOU provided its rationale.

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

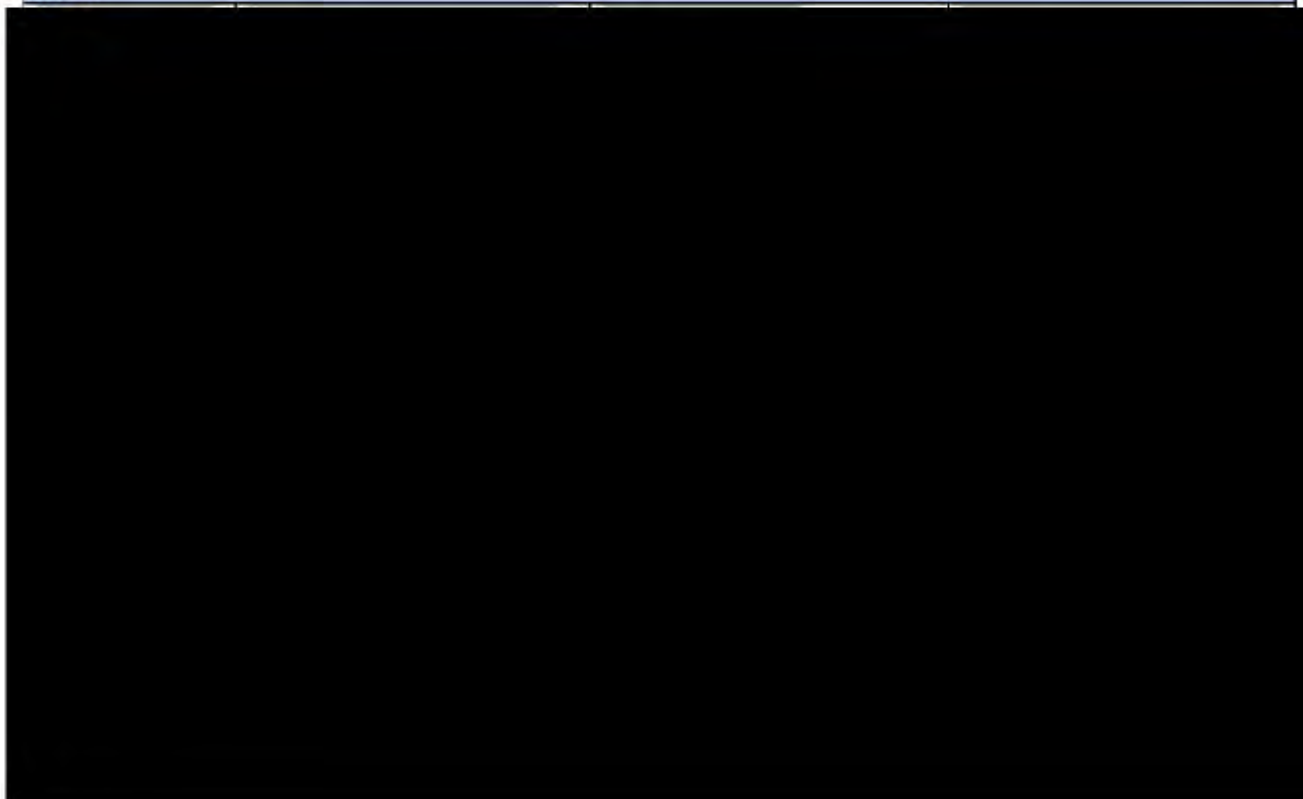


Table 1.3: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<p>RFP Evaluation</p> <p>- [REDACTED]</p>	[REDACTED]	<p>Such subcategories are preferred as they will provide greater weight to proposals with longer lived energy savings and with lower program delivery costs.</p>	[REDACTED]
<p>RFP</p> <p>[REDACTED]</p>	[REDACTED]	<p>Potential changes/additions to the CPUC standard and modifiable by either the IOU or the selected bidder should only be addressed during the contracting phase.</p>	[REDACTED]

Table 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
RFP Evaluation – Small Business Enterprises (SBE)	The Social Responsibilities criteria did not include consideration of SBEs as defined by the CPUC in Decision 18-10-008.	SBEs should be considered in the evaluation of the bidder's social responsibilities. The IOU can rely on California's Department of General Services SBE qualification process to easily confirm the bidder's SBE status.	Unlike Diverse Business Enterprise (DBE)-qualified bidders, SoCalGas does not currently have a process by which to confirm whether a bidder is a qualified SBE.
Measure List	Bidders requested a measure list with CPUC-approved assumptions similar to PG&E's solicitation tool for its bidders.	The IOUs should collaborate with the CPUC's Energy Division on creating a measure list, similar to PG&E's list, to assist bidders in developing their CET forecasts.	Pending.
Disadvantaged Worker Policy	The RFP materials clearly list the CPUC workforce and disadvantaged worker policies. However, the bidder responses, in general, have been mediocre.	The IOU should consider highlighting these CPUC policies during the bidders' conferences in future solicitations.	Pending.
Contract Negotiations			
Collaborative Negotiations	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.	Collaborative negotiations focused on improving the program offering should be a primary consideration in contract negotiations across all IOU solicitations. This will likely improve program performance and promote cost-efficient program delivery.	Pending.
Customer Incentives	[REDACTED]	[REDACTED]	The IOU negotiated closer alignment of measure mix and incentive levels across the two small and medium commercial markets.
Timely Contract Negotiations	The IOU notified the bidders of final selection in January 2020. Contracts were executed approximately nine months later.	The IOU should adhere to the new CPUC recommendation to limit the contracting phase to no more than 12 weeks.	The IOU has adopted the CPUC recommendation for future solicitations.

Table 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
Minimum Threshold Requirement	[REDACTED]	[REDACTED]	Pending.
Implementation			
Implementation Plan	The Program will target both HTR customers and customers with facilities in DACs.	The IOU and implementer should include a data collection plan as an attachment to the Implementation Plan ⁵⁴ in the detailed program manual. The data collection plan should demonstrate whether the individual facilities fall under the CPUC's DAC and/or HTR definition. This plan will prevent discrepancies regarding whether the facility should be considered either DAC or HTR in reporting to the CPUC.	Pending.

⁵⁴ Implementation Plan Template, Version 2, p. 5, dated January 2020.

Table 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
Program Transition Plans	The Contract does not address any specific program transition plans among the IOU's existing program and the new third-party program. Since the small- and medium-sized commercial customers tend to have shorter project installation timelines, there will likely be few to no projects in the pipeline.	In the program's Implementation Plan, SoCalGas and implementer should detail a transition plan that addresses all existing and applicable small and medium sector projects contained with SoCalGas' project pipeline, including potential projects (soft leads) that have not yet been served by the IOU's existing programs. The transition plan should also address any necessary customer communications to support a seamless transition.	Pending.
Posting Approved Programs	Currently, there is no one single list showing the results of the program solicitations across all IOUs.	The IE recommends that the California Energy Efficiency Coordinating Committee (CAEECC) website be utilized to list the ongoing results of all IOUs solicitations, by approved program.	Pending.

2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

The solicitation outreach relied on general awareness of SoCalGas' program solicitations to the bidder community through several stakeholder announcements and the IOU-specific workshops regarding SoCalGas' upcoming EE program solicitations. SoCalGas posted general information onto its third-party solicitation webpage and the CAEECC website. The IE recommends that the CAEECC website be utilized to list the ongoing results of all IOU solicitations, by approved program.

RFA

Overall, the solicitation outreach was adequate, since it generated 57 registered bidders on SoCalGas' procurement website (i.e., PowerAdvocate) interested in the initial RFA. The number of abstracts received slightly surpassed expectations. Table 2.1a summarizes SoCalGas' actual response to the local program solicitation.

Table 2.1a: RFA Solicitation Response	
	Number
Abstracts Expected	
Abstracts Received	
Proposals Expected	
Proposals Received	

RFP

Table 2.1b summarizes the bidders' response to SoCalGas' local program solicitation.

Table 2.1b: RFP Solicitation Response	
	Number
Proposals Invited	
Proposals Received	
Proposals Disqualified	

2.2. Bidder's Conference and Q&A

RFA

SoCalGas held an RFA Bidders' Conference on February 7, 2019. Bidders were provided an opportunity to ask questions of SoCalGas by February 13, 2019. The IOU received 16 questions from bidders with topics ranging from program budgets, implementer compensation, to RFA requirements. The IOU provided timely responses to all questions received. The IE reviewed the draft responses before SoCalGas posted the responses to the bidders. RFA Bidder Conference details are provided below.

Table 2.2a: RFA Bidder Conferences	
RFA Bidder Conference Date	February 7, 2019
Number of Attendees (Est.)	
Number of Questions Received	16

RFP

During the RFP stage, SoCalGas held a Bidders' Conference on September 4, 2019. Potential bidders had ample time during the conference to ask questions. Bidders were also provided two opportunities after the Bidders' Conference to provide written questions. In response, SoCalGas received a total of 10 questions covering an array of topics such as energy savings types (e.g., Normalized Metered Energy Consumption (NMEC), customized), disadvantaged workers,

availability of customer usage data, and expected program launch date. Of particular interest, one bidder asked that SoCalGas provide a master measure list with currently approved CPUC assumptions similar to a list provided by PG&E to its bidders in another solicitation. SoCalGas indicated that it did not have such a list for this solicitation. The IE recommends the IOUs collaborate with the CPUC’s Energy Division on developing a measure list for all solicitations to assist bidders in creating error-free, CET showings.

SoCalGas provided timely responses to all bidder questions. RFP Bidder Conference details are provided below.

RFP Bidder Conference Date	September 4, 2019
Number of Attendees (Est.)	█
Number of Questions Received	10

2.3. Solicitation Design Assessment

The solicitation design met SoCalGas’ intended need to procure a resource-based program(s) targeted at the commercial businesses within the very small, small, and medium-sized customer groups.

3. RFA and RFP Design and Materials Assessment

3.1. Design Requirements and Materials

RFA

Overall, the RFA design and approach were equitable, fair, and transparent. The IE does note that the RFA requirements could be reduced without jeopardizing fairness and/or transparency. Reducing the requirements will lessen the burden on the bidder and may increase the number of bids received in future solicitations while potentially reducing the overall solicitation timeline.

RFP

The RFP requirements were adequate and provided SoCalGas sufficient details on the bidders’ proposals. The RFP also required additional information that was not necessary to evaluate the proposals. For example, the RFP required bidders to present detailed tasks associated with program activities. In the RFP materials, the IOU provided a detailed list of suggested program activities and required the bidder to confirm that it will support such activities or identify deviations from these activities. However, very little weight is assigned to the bidder’s response during the evaluation process. Such information seems to prepare the IOU for future contract negotiations rather than providing necessary information to determine program selection. Additionally, there are opportunities to combine and reduce requirements associated with bidder experience and staffing. Overall, the RFP requires more information than is necessary for the IOU to make the final selections.

3.2. Response to PRG and IE Advice

SoCalGas provided an opportunity to its PRG and IE to review the RFA and RFP materials. As a result, the IOU received more than 50 recommendations from both the PRG and IE combined.

SoCalGas adopted all PRG and IE recommendations, with the exception of the following few recommendations:

RFA

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

RFP

- **PRG Recommendation.** The RFP focuses the majority of its social responsibility questions on DBEs. More effort should be made for Small Business Enterprises (SBEs), such as

[REDACTED]

[REDACTED]

- [REDACTED]

- [REDACTED]

4. Bid Evaluation Methodology Assessment

4.1. Bid Screening Process

RFA

SoCalGas conducted a bid screening process, which consisted of two threshold requirements: timeliness and completeness of submissions. SoCalGas received [REDACTED] in response to the RFA. [REDACTED] did not pass the initial screening due to incomplete submissions. The screening was conducted by SoCalGas' Supply Management group, which is a separate organization from SoCalGas' EE group. SoCalGas' decision not to advance these bidders was appropriate, as the bidders failed to provide key schedules and attachments critical to evaluating the abstracts.

RFP

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

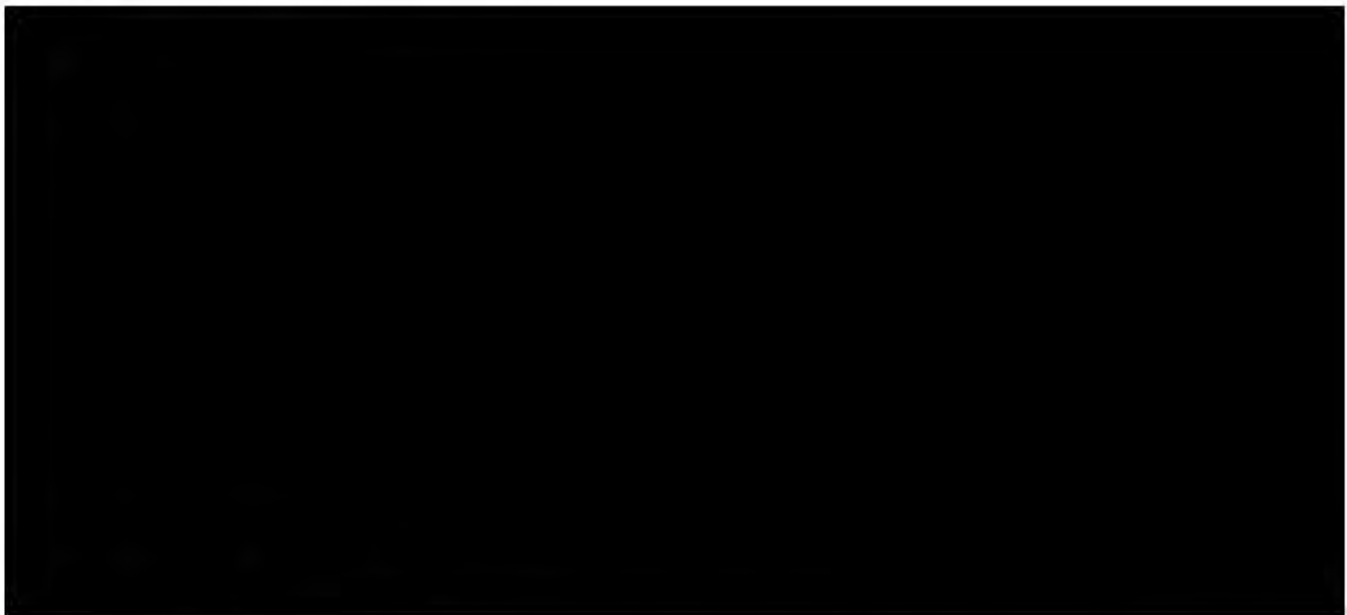
Threshold Assessment Criteria

- 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:
 - Unproven new energy efficiency 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 a full-scale EE program;
 - Statewide 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 a behavioral-based strategy 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;
- Evaluation, measurement and verification (EM&V) consulting services and program support services;
- Programs that are solely non-resource (Note: Resource program designs which include non-resource strategies, such as marketing and training, are acceptable);
- Local Government Partnership or Regional Energy Network Programs or programs that overlap or duplicate the efforts of Local Government Partnerships or Regional Energy Networks; or
- Programs based solely on deemed measures, without supporting CPUC-approved deemed workpapers.

4.2. Scoring Rubric Design

RFA



The remaining [redacted] were independently evaluated by each score team member. Concurrently, the IE conducted an independent evaluation of the abstracts using a two-person IE team. SoCalGas provided sufficient time for its score team to conduct the evaluations.

On May 13, 2019, [redacted]

[redacted] The IE monitored the calibration meeting, [redacted]



After the conclusion of the two-day calibration meeting, on May 16, 2019, SoCalGas held a shortlist meeting. The shortlist meeting was intended to identify those abstracts that would be advanced to the RFP stage of the solicitation. SoCalGas converted the individual team member scores into a total combined score for each abstract and then ranked each abstract accordingly. SoCalGas identified a natural break in the ranking, whereby abstracts that were significantly below the scores of other abstracts were not advanced into the next stage of the solicitation. [REDACTED]

For future evaluations, SoCalGas [REDACTED] Also, since this solicitation, SoCalGas has worked with its collective IEs to reduce the number of redundant scoring elements and improve the clarity of the elements. [REDACTED]

RFP



In response to the RFP, SoCalGas received [REDACTED]. Bidders were provided more than six

weeks to respond to the RFP. The period of time is consistent with the PRG recommendation. The IE supports a 4-week to 6-week period for the bidders to respond to an RFP.

On November 12-13, 2019, approximately four weeks after receiving the Proposals, SoCalGas held a calibration meeting with its evaluation team. On November 14, 2019, SoCalGas held an additional calibration meeting to review the bidder's CET showing. SoCalGas' assigned CET subject matter experts provided the final assessment and scoring on the CET showings.

4.3. Evaluation Team Profile

SoCalGas held a group training session for the scoring team prior to evaluating both abstracts and proposals. The two training sessions included an overview of the RFA and RFP, conformance with SoCalGas' [REDACTED].

Table 4.3a presents SoCalGas' evaluation team roster during the RFA Stage:

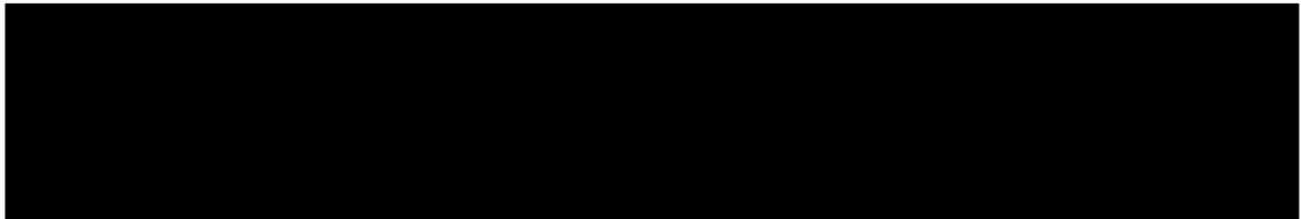
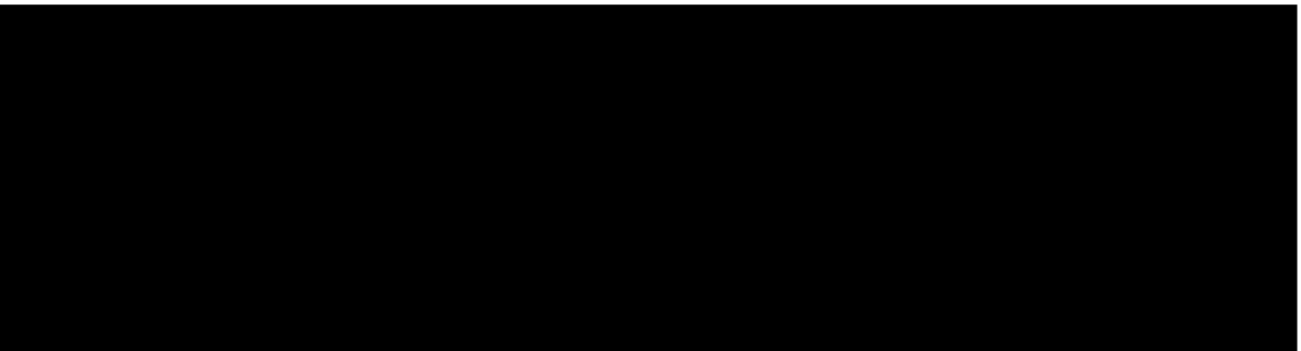
A large black rectangular redaction box covering the content of Table 4.3a, which would list the evaluation team roster for the RFA Stage.

Table 4.3b presents SoCalGas' evaluation team roster during the RFP Stage:

A large black rectangular redaction box covering the content of Table 4.3b, which would list the evaluation team roster for the RFP Stage.

4.4. Response to PRG and IE Advice

SoCalGas provided the opportunity for both the PRG and IE to review and comment on the proposed bid evaluation methodology including the detailed scorecard. SoCalGas accepted all PRG and IE comments on the proposed evaluation methodology except for the following:

- **PRG Recommendation:** Cal Advocates recommended separating the M&V category into two to four subcategories. This separation would help clarify the scorecard and make it easier for the scoring team to determine whether the desired attributes are well addressed in the proposals.
- **IOU Response:** SoCalGas did not accept this suggestion since it had already worked to reduce the number of scoring categories in response to PRG feedback on the complexity

of the scorecard. Thus, adding subcategories to the scorecard would be contrary to the general PRG feedback to reduce categories.

Also, subsequent to the November 5, 2020, PRG meeting, 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. Final Bid Selection Assessment

5.1. Conformance with Established Evaluation Processes

SoCalGas applied the same scoring methodology to all abstracts and proposals. No exceptions were made. All information provided by the bidder was scored as part of the evaluation process. Overall, SoCalGas' evaluation approach was neutral and conducted in a fair and transparent manner.

The IE monitored both the RFA and RFP evaluation processes, including the team calibration meetings. The calibration meetings were held to identify and address any significant differences among scorers for any of the discrete scoring elements. Team members were encouraged to share how they applied the scoring guidelines for a bidder response to a given scoring element. Data input errors were able to be discovered at that time. Team members, at their own discretion, were able to adjust their initial score to correct for misapplication of the scoring guidelines or misunderstanding of the bidder's response. In certain instances, team members elected to adjust scores. All adjustments seemed reasonable and well-founded. Discussions were well reasoned and professional, and at no time were any score team members coerced into changing their scores. The IE had no significant disagreements with the score team's assessment of the RFA abstracts or the RFP proposals evaluated.

CET Review

The CET review included confirmation by the IOU's CET experts and engineering staff that the bidder's CET showings applied the correct CPUC-approved assumptions and methodologies. The review also checked for consistency among the CET inputs and with the proposed program design. The review also considered the reasonableness of the measure mix and quantity projections. Errors were uncovered in three proposals. The evaluation team considered these errors in their final scores.

CPUC Workforce and Disadvantaged Worker Policies

Review of workforce compliance and disadvantaged workers sections of the proposals showed that many bidders were unclear on the applicability of these requirements to their proposed program, but most bidders indicated a willingness to do whatever was required. The RFP materials do clearly list the CPUC workforce and disadvantaged worker policies. The IOU should consider highlighting these CPUC policies during the bidders' conferences in future solicitations.

5.2. Management of Deficient Bids

To ensure fairness, SoCalGas did not take any actions to rectify deficiencies associated with individual bids during the evaluation process. Bids were evaluated based on what was submitted.

5.3. Shortlist and Final Selections

SoCalGas' approach to identifying the RFA bidder shortlist and selecting the final Proposals was transparent, well-reasoned, and fair. The IOU followed its Solicitation Plan as presented in their Business Plan application which consisted of a two-stage solicitation relying on an RFA and RFP stages followed by contract negotiations with the winning bidders from the RFP stage.

a. Conformance with Established Evaluation Processes

The IOU used the final aggregate team scores to rank both abstracts and proposals. In both evaluations, SoCalGas looked for natural breaks among scores to identify the bidder shortlist. For the RFA evaluations, SoCalGas maintained the initial ranking based on the aggregated scores to determine the bidders' shortlist. For the RFP evaluations, SoCalGas deviated from the rank order. SoCalGas noted that the second rank proposal offered mostly tank/pipe insulation. However, due to the heavy weighting on proposal's TRC forecast and the energy savings associated with the measure, the proposal scored higher although overall it was a much weaker program design. Both SoCalGas' program and senior management shared their desire for more comprehensive solutions for these customer groups and believed the poorer program design would not deliver measures beyond a direct install approach such as tank/pipe wrap insulation. The IE supported this decision as the program was a simple direct install program that was not designed to support the installation of a more comprehensive measure mix.

b. Portfolio Fit

SoCalGas also discussed concerns about relying on only one implementer to serve over 160,000 customers over the IOU's vast service territory. Ultimately, SoCalGas selected [REDACTED]

[REDACTED] Specifically, [REDACTED] program, the highest ranked bid, will be the implementer along [REDACTED] who will serve small/medium-sized customers within Riverside and San Bernardino counties.

c. Response to PRG and IE Advice

The IOU presented its RFA shortlist and RFP final selections to the PRG during the monthly PRG meetings. For both the RFA and RFP stages, the IOU discussed its rationale for its selection and the IE confirmed that it had monitored all aspects of the evaluation process including attending SoCalGas' calibration and shortlist meetings. The PRG and IE endorse SoCalGas' selections.

5.4. Affiliate Bids and Conflict of Interest

The CPUC, in Decision 05-01-055, prohibits any transaction between a California IOU and any program implementer for EE that is a California affiliate of an IOU. SoCalGas required all bidders to acknowledge that they are not an affiliate of any IOU. There was no instance where a California IOU affiliate participated as a bidder in the solicitation.

Additionally, as part of SoCalGas' evaluation team instructions, SoCalGas directed each team member to identify any potential conflict of interests with participating bidders. None were identified as part of this solicitation.

6. Assessment of Selected Bids

6.1. Bid Selection Respond to Portfolio Needs

The IE supports the IOU's decision to select [REDACTED] to serve the small and medium commercial customers. SoCalGas' decision to split the service territory [REDACTED] was reasonable given the large size of the territory, the preference to minimize risk by using [REDACTED]. The IE supports the IOU's selection of [REDACTED] offer a comprehensive measure mix, innovative data analytic-based customer targeting, a focus on DAC and HTR customers, and reliance on local contractor trade ally networks to support customer's EE equipment retrofits. Overall, SoCalGas' final selection was sound and reasonable.

6.2. Bid Selections Provide the Best Overall Value to Ratepayers

The selected programs provide the best overall value to ratepayers within the competitive pool of bids in this solicitation. Below is a summary of each implementer and their program.

[REDACTED]

[REDACTED] The program's cost effectiveness showing is very promising considering the small and medium commercial customer group typically has a lower TRC forecast than the balance of the nonresidential program portfolio. [REDACTED]

[REDACTED] will serve much of the IOU's small and medium commercial customer group (i.e., ~162,000 customers), the Contract should be given the flexibility to expand the program budget, if during the implementation period, the program proves to deliver cost effective results and/or other emergent opportunities arise where the program could quickly expand its offering. To provide such adaptability, the Contract value can be approved by the CPUC at a much higher level than the program's proposed operating budget. This would allow the IOU to increase the program's operating budget during the Contract term, to capture additional cost-effective energy savings during the life of the Contract without additional regulatory approval.

[REDACTED]

[REDACTED]

The program will provide cost-effective energy savings for SoCalGas' small and medium-sized commercial customer facilities located [REDACTED]. The program's cost-effectiveness showing is very promising considering the small and medium commercial customer group typically has a lower TRC forecast than the balance of the nonresidential program portfolio.

Given that the Small and Medium Commercial Program will serve a customer group with so many customers,⁵⁵ the Contract should be given the flexibility to expand the program budget, if during the implementation period, the program proves to deliver cost-effective results and/or other emergent opportunities arise where the program could quickly expand its offering. To provide such adaptability, the Contract value can be approved by the CPUC at a higher level than the program's proposed operating budget. This would allow the IOU to increase the program's operating budget during the Contract term, to capture additional cost-effective energy savings during the life of the Contract without additional regulatory approval.

The following addresses the specific attributes of the selected program and the value to ratepayers.

1) COST-EFFICIENCY – SIMPLE ACQUISITION COST

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.

[REDACTED] with SoCalGas' 2021 Commercial sector program forecasts calculated from the IOU's 2021 Annual Budget Advice Letter. [REDACTED]

[REDACTED] Commercial sector forecast while targeting an historically difficult to serve customer group with much less energy savings potential per customer compared to large commercial customers.

The following table [REDACTED] with SoCalGas' total Commercial sector forecast for 2021.⁵⁶ The IOU's Commercial sector forecasts include all commercial programs including statewide mid-stream programs, statewide downstream programs, and local commercial programs including those targeting large commercial customers. As a result of collaborative contract negotiations, SoCalGas and the bidders produced a cost per therm that is consistent with the IOU's 2021 commercial sector forecast.

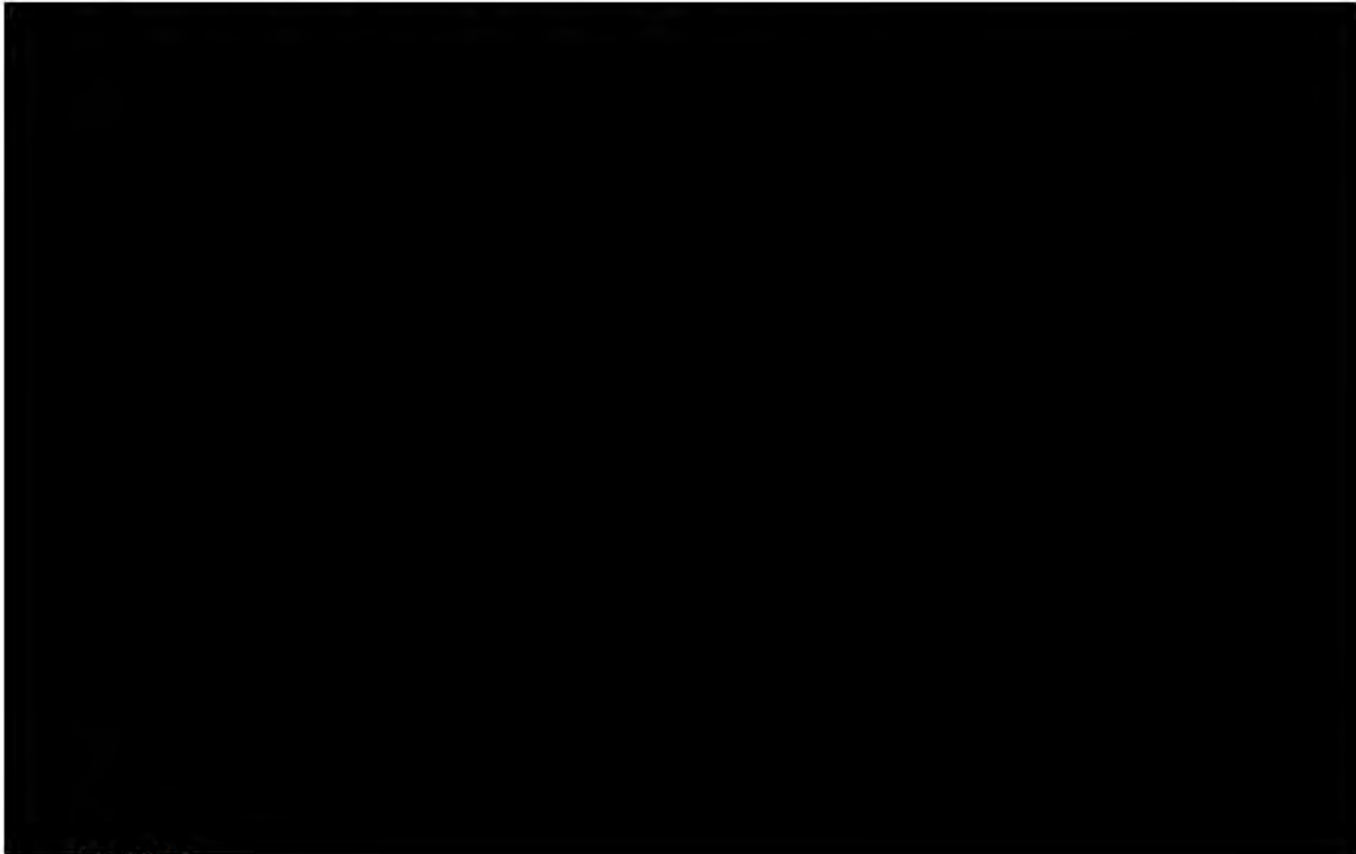
⁵⁵ The IOU has over 160,000 small and medium commercial customers.

⁵⁶ Advice 5684, Table 3, dated September 1, 2020.




2) ALIGNMENT WITH CALIFORNIA'S ENERGY EFFICIENCY POLICIES AND THE CPUC'S OVERARCHING SOLICITATION POLICY OBJECTIVES

a) COST-EFFECTIVE ENERGY EFFICIENCY ACHIEVEMENT



b) TRC

 cost-effectiveness forecasts are demonstrably better than SoCalGas' 2021 program portfolio forecast as shown in the table below. The program's forecast 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 overall program portfolio.

⁵⁷ Decision 19-08-034, Attachment 2, Data Form, Tab D.

Table 6.2b: TRC Forecast Comparison

Program	TRC Ratio
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c) INNOVATION

To be “innovative,” the RFA and RFP instructed bidders that their proposal must demonstrate that the program will ultimately increase the uptake of cost-effective energy efficiency by advancing a technology, marketing strategy, and/or delivery approach in a manner different from previous efforts. If the innovative program approaches presented are successful, [REDACTED] experience an increase in customer participation at a reduced program engagement cost.

⁵⁸ Statement of Work, Section 3.0, p. 30.

⁵⁹ Southern California Gas Company Business Plan, dated January 17, 2017, p. 119. Riverside and San Bernardino counties will be served by another implementer.

⁶⁰ Statement of Work, Section 3.0, p. 30.

d) IDSM

SoCalGas does not have any demand reduction programs directed at the small and medium customer groups. However, the [REDACTED] with other program administrators managing energy efficiency, water efficiency, environmental improvement measures or clean energy programs.⁶¹ In support of this Contract requirement, [REDACTED] to deliver efficiency services to their 13 member utilities. The IE recommends that, as new IDSM offerings become available, SoCalGas should work with the Implementer to promote such offerings to the targeted customer group.

e) HARD-TO-REACH MARKETS (HTR), DISADVANTAGED COMMUNITIES (DAC), DISADVANTAGED WORKERS, AND WORKFORCE STANDARDS

i) HTR/DAC CUSTOMER FACILITIES



⁶¹ Section G, Modifiable Terms and Conditions, pp. 23-24.

⁶² Decision 18-05-041, FOF 14 and 11.

⁶³ Program Approach, Section 3.1, pp.30-31.

⁶⁴ Table 4, Key Performance Indicators, pp. 68-69.

⁶⁵ Decision 18-05-041, FOF 14 and 11.

⁶⁶ Table 4, Key Performance Indicators, pp. 68-69.

⁶⁷ Implementation Plan Template, Version 2, p. 5, dated January 2020.

██████████

ii) DISADVANTAGED WORKER POLICY

As for supporting Disadvantaged Workers (DWs), ██████████ that it will work with community-based organizations that work with DAC/HTR customers to promote EE and workforce development. ██████████ did not elaborate on how the Program would directly support the Disadvantaged Worker policy.

Per the Contract, the specific Disadvantaged Worker Plan will be presented in the final Implementation Plan (IP). Since the Implementation Plan will be drafted only after CPUC contract approval, it is important for the CPUC's Energy Division to review specific DW requirements detailed in the final IP to confirm compliance with applicable CPUC directives. The Contract also lists various DW-related contractual obligations, such as tracking and reporting DW activities.⁶⁸

iii) WORKFORCE STANDARDS POLICY

██████████ require the implementers, and its subcontractors, to comply with the CPUC's workforce standards related to HVAC and advanced lighting controls installations.⁶⁹ However, the latter is not relevant to the gas-only EE programs.

f) DEEP & PERSISTENT ENERGY SAVINGS

██████████ offer measure mixes that contain longer-lived measures. All program measures have an effective useful life of five years or more. With ██████████ focus on comprehensiveness, it is reasonable to expect the programs will deliver deep and persistent energy savings for its participants.

g) BALANCE OF RISK AMONG PROGRAM ADMINISTRATOR, IMPLEMENTER, CUSTOMER AND RATEPAYER


i) COMPENSATION STRUCTURE

██████████ compensation structure is a combination of fixed-unit pricing and fixed-fee deliverable pricing. Fixed-unit pricing is a predetermined price SoCalGas will pay for each EE measure installed in a customer's facility. Fixed-fee deliverable pricing is a predetermined price SoCalGas will pay for program-related services (e.g., hold program kickoff meetings for IOU staff) or product (e.g., Implementation Plan).⁷⁰ The Implementers receive no other types of compensation. As presented in the table below, the balance of the program budget is tied directly to customer incentives.

⁶⁸ Reporting and Tracking Disadvantaged Worker and Job Creation, p. 48.

⁶⁹ Part B, Modifiable Terms and Conditions, Section A.1, p. 20.

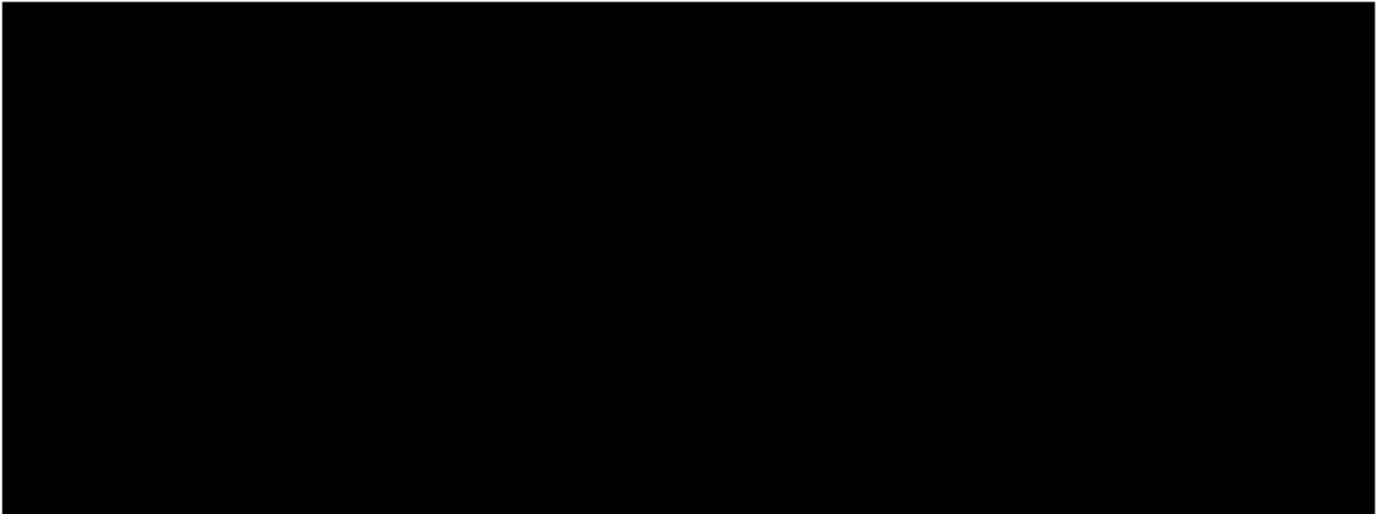
⁷⁰ Schedule C, Table 9.




ii) OVERALL ASSESSMENT OF COMPENSATION


Given the level of customer incentives, the reliance on fixed-fee deliverable pricing (i.e., direct installed EE measures), and the unique market barriers facing the small and medium-sized customer group, the proposed compensation approaches are reasonable. The Contract prices associated with the fixed-fee deliverable pricing and fixed-unit pricing also seem reasonable.⁷¹ Compensation tied to a post-installation metered energy savings approach (e.g., NMEC) is not practicable given the lower energy usage of the targeted customer group especially the smaller and diverse customers (i.e., <10,000 therms usage per year) within this group.

iii) REALIZED ENERGY SAVINGS



 combination of direct install, deemed, and customized energy savings types and will rely on a network of local trade allies to perform EE installations.

iv) PORTFOLIO AND APPLICABLE SECTOR-METRICS ACHIEVEMENT SUPPORT

SoCalGas' 2019 ABAL provides a list of all CPUC-approved portfolio and sector metrics.⁷² These metrics include a baseline year (2016) of results and a forecast of expected performance which extends through 2025.  Programs will focus on small commercial customers; this focus is

⁷¹ Schedule C, Table 10.

⁷² Advice 5349-A, Appendix B, dated October 29, 2018.

expected to produce an increase in the small commercial customer participation level over previous years (sector metrics #168 and #169). Also, the Programs will also focus on increasing HTR customer participation (sector metric #175).

3) PROGRAM ALIGNMENT WITH EE PLANNING PRINCIPLES

a) REASONABLENESS OF ENERGY SAVINGS GOAL RELATIVE TO TARGETED MARKET'S ENERGY EFFICIENCY POTENTIAL

_____ goals are well within SoCalGas' 2021 Commercial sector energy efficiency forecast (4.3 million therms). SoCalGas does not provide a specific 2021 EE forecast in its 2021 ABAL filing for the targeted small and medium customer group. Neither does the CPUC's EE potential study assign a specific potential for energy efficiency savings for the customer group.⁷³ As a result, we compared the Program's energy savings forecast with the overall Commercial sector forecast presented in SoCalGas' 2021 ABAL filing. In aggregate, the Programs will target about 162,000 commercial customers representing over 65% of the IOU's energy usage for the Commercial sector.

In 2021, _____ will produce approximately 254,000 therms (net, annualized) or 6% of the IOU's 2021 Commercial sector EE forecast. Similarly, _____ produce approximately 174,000 therms (net, annualized) or 4% of the IOU's 2021 Commercial sector EE forecast. _____ which make-up roughly 16% of the overall IOU's very small, small, and medium-sized commercial customer accounts. Combined, the Programs are expected to produce approximately 10% of the IOU's 2021 Commercial sector energy savings forecast (4.3 million therms).

b) PROJECTED ENERGY SAVINGS FROM VIABLE MEASURES

_____ will offer viable EE measures. The Programs' energy savings forecasts are based on a combination of direct install, deemed, and customized energy savings. The implementers will offer a comprehensive list of measures from simple direct install measures such as pipe insulation to more sophisticated solutions such as tankless water heating and food service equipment.⁷⁴ Special care will be taken by the Program to avoid potential customer double-dipping of program incentives with SoCalGas' midstream commercial offerings.⁷⁵

The proposed measure mixes are viable for the targeted customer group, especially the program's focus on customer segments with predominantly high natural gas loads.

c) COMPLIANCE OF THE PROPOSED PROGRAM WITH CPUC M&V RULES AND REQUIREMENTS

The Contracts require the Programs to be consistent with current CPUC M&V rules and

⁷³ Decision 19-08-034, OP 1.

⁷⁴ Attachment 9, Table 7, pp. 76-78.

⁷⁵ Schedule A, Term 49, p. 12.

requirements.⁷⁶ Due to the program design, which is dictated by the targeted smaller commercial customer group, there is not an NMEC approach presented in the Contract. The Implementers are required to provide a final M&V Plan as part of the program's start-up activities.⁷⁷ There should be an active review of the M&V Plan by the CPUC EM&V staff to confirm the appropriateness of the data collection plan in support of potential EM&V studies.

7. Reasonableness of Contracting Process

7.1. Collaboration on Final Program Design and Scope

SoCalGas and the bidders participated in collaborative discussions regarding ways to improve the program offerings. The IOU and the bidders had several meetings to discuss various Contract issues including:



As a result of the contract negotiations, the Programs had an improved measure mix offering, better unit pricing, and a shift of funds from the bidder's direct implementation budget to the customer incentive budget to support more and deeper energy savings.

_____ showed a great improvement, from an initial TRC

⁷⁶ Part B, Section H.3, p. 24.

⁷⁷ Schedule C, Table 10, p. 80.

ratio of 1.35 prior to negotiations, to a 1.65 TRC ratio at the conclusion of negotiations. In contrast, SoCalGas' 2021 EE total portfolio forecasted a 1.13 TRC ratio.

The IOUs are not required by the CPUC to provide CET forecasts at the sector or segment level, so it is uncertain how either of the Programs' forecasted cost-effectiveness showings compare to SoCalGas' planned 2021 small/medium commercial forecasts. However, this does support the notion that third-party program implementers, working collaboratively with experienced portfolio administrators, can improve the IOU's program portfolio cost-effectiveness forecast and further enhance program design and delivery.

7.2. Fairness of Negotiations

The primary changes to the program scope were driven by SoCalGas' preference [REDACTED] As presented at a prior PRG meeting, SoCalGas opted for an additional [REDACTED] As a result, the IOU proposed a reduction to [REDACTED] over a three-program cycle and awarded an [REDACTED] As a result, the IOU proposed a reduction to [REDACTED]

The SoCalGas reduction to the bidder's initial budget is reasonable in light of the IOU's preference [REDACTED] to serve the targeted customer group. Relying [REDACTED] serve all small and medium commercial customers across a vast service territory spreads the risk of potential non-performance. During contract negotiations, the IOU expressed a willingness to increase the program's funding levels [REDACTED] opportunities for cost-effective EE within the targeted customer group.

If there is a potential for additional cost-effective energy savings beyond the contracted amounts during the program implementation periods, the IE recommends the IOU and the implementers closely monitor program expenditures and financial commitments throughout the life of the Contracts and seek timely regulatory approval of a request to increase Contract values to capture additional energy savings thus avoiding any program closures due to lack of program funds.

⁷⁸ Advice 5684, Table 1. The proposed Commercial sector annual budget includes all commercial offerings across all customer groups, including large commercial customers and mid-stream programs directed at the commercial sector.

7.3. Changes to Contract Terms & Conditions

To be compliant with CPUC directives, SoCalGas provided [REDACTED] the standard and modifiable CPUC terms and conditions at the start of contract negotiations.⁷⁹ The IE has reviewed all documents and confirmed 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.
- **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. For example, the Contract allows either the implementer or SoCalGas to withdraw from the Contract in response to CPUC approved contract modification. Previously, the CPUC modifiable terms and conditions allowed only the IOU to withdraw from the Contract. Also, changes to the modifiable terms allows the implementer, not just the IOU, to withdraw from or modify the Contract due to CPUC changes to policies that affect the program rules.
- **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 52 of SoCalGas' additional terms gives preference to the CPUC's standard terms and conditions, as explained above.

7.4. Conformance with CPUC Policies and Objectives

Overall, [REDACTED] conform to all applicable CPUC energy efficiency policies. Below is a discussion of key policies not already addressed.

25 PERCENT THIRD-PARTY REQUIREMENT

Both contracts were executed well in advance of SoCalGas' September 30, 2020 deadline for recording the Contract value towards the IOU's minimum 25% third-party threshold requirement.⁸⁰ Specifically, the IE received the [REDACTED]

In the calculation of the minimum threshold requirement, it is unclear whether the IOUs are consistently calculating the threshold requirement. The CPUC should provide greater clarity to the IOUs on the proper calculation to be applied to the third-party threshold requirement. This should include direction on the specific annual budgets, including the applicable IDSM funds, to be included in the numerator and denominator within the calculation. The CPUC should also direct the

⁷⁹ Decision 18-10-004, OP 7.

⁸⁰ 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 to report their threshold accomplishments, supported by calculations, in the annual budget advice letter and/or annual EE report.

CUSTOMER INCENTIVES

[REDACTED]

[REDACTED]

CPUC Guidance	Program Response
Incentives should generally be calculated on a net lifecycle savings basis, not a first-year savings basis, to support and align with achievement of portfolio net lifecycle savings goals.	Higher incentive rates typically will be available for measures with higher net-lifecycle benefits.
Incentives should generally be tiered to promote increasing degrees of efficiency above code, particularly when an existing conditions baseline is used and when the direct install delivery channel is used.	Higher incentive rates typically will be available for higher efficiency tiers.
Incentives should generally be strategically targeted at commercially available products that offer higher and highest degrees of efficiency and quality, not at all above-code high efficiency products.	Incentives will be set at higher levels for technology in the early stages of adoption and then reduced over time as the technology gains market acceptance.
Incentive structure should take into consideration the variation in barriers to efficiency upgrades faced by different customer segments, instead of being set uniformly for a measure class.	DAC/HTR customers receive a higher incentive level (40% above non-DAC/HTR) to address the high first cost market barriers facing these customers.
For performance-based programs, payment of customer and contractor incentives should tie, in significant part (e.g., 50 percent), to independently verified savings performance estimated on a 12-month post-implementation period for capital projects and 24 months, if the project includes behavioral, retro-commissioning, or operational savings, for projects with savings measured with normalized metered energy consumption approaches.	The Program will not offer performance-based incentives likely due to the low energy usage of the targeted customer group.

[REDACTED]

[REDACTED]

CPUC Guidance	Program Response
Incentives should generally be calculated on a net lifecycle savings basis, not a first-year savings basis, to support and align with achievement of portfolio net lifecycle savings goals.	Program offers deemed incentives only.

Incentives should generally be tiered to promote increasing degrees of efficiency above code, particularly when an existing conditions baseline is used and when the direct install delivery channel is used.	Measure listing includes tiered incentive levels.
Incentives should generally be strategically targeted at commercially available products that offer higher and highest degrees of efficiency and quality, not at all above-code high efficiency products.	Measure listing includes tiered incentive levels. Direct install kits are offered to support Implementer's preference to capture all EE opportunities.
Incentive structure should take into consideration the variation in barriers to efficiency upgrades faced by different customer segments, instead of being set uniformly for a measure class.	Program will target DAC and HTR customers but will provide no additional adder.
For performance-based programs, payment of customer and contractor incentives should tie, in significant part (e.g., 50 percent), to independently verified savings performance estimated on a 12-month post-implementation period for capital projects and 24 months, if the project includes behavioral, retro-commissioning, or operational savings, for projects with savings measured with normalized metered energy consumption approaches.	The Program will not offer performance-based incentives likely due to the low energy usage of the targeted customer group.

PROGRAM TRANSITION PLAN

SoCalGas' Solicitation Plan⁸¹ provides an approach to transitioning existing IOU EE projects to the new third-party implementer. In short, the IOU program implementation responsibilities will be assumed by the third-party program implementers on a mutually agreed date. The Contracts do not address any specific transition plans. This is likely due to the small- and medium-sized commercial customer group having shorter project installation timelines and thus there will likely be few to no projects in the IOU's existing program pipeline. Regardless, in the program's Implementation Plan, SoCalGas and the implementer should detail a transition plan that addresses all existing and applicable small and medium sector projects contained with SoCalGas' project pipeline including potential projects (soft leads) that have not yet been served by the IOU's existing programs. The transition plan should also address any necessary customer communications to support a seamless transition.

SUPPORT SERVICES

The Contracts reflect a program proposed and designed by the third-party program implementer. SoCalGas will provide basic utility support services such as general marketing support and customer data services.⁸² These support services are reasonable and will likely improve the program's performance. [REDACTED] enhanced support services (e.g., developing

⁸¹ Southern California Gas Company Energy Efficiency Program Solicitation Plan, dated August 4, 2017, Section IX, pp. 25-27.

⁸² Attachment 2, SoCalGas Program Support Services.

marketing materials, etc.) that were presented in the RFP.⁸³ Of special note, SoCalGas does not currently offer account management support to this smaller-sized customer group, and thus it did not offer such an optional support service to the bidders.⁸⁴

KEY PERFORMANCE INDICATORS

[REDACTED]

[REDACTED] several broader KPIs, as shown in the table below. The KPIs added to the standard set of KPIs required by SoCalGas are highlighted. The KPIs seem reasonable given the program design. For underperformance, the Contract sets forth a process to remedy such under performance through corrective actions which are developed by the implementer and actively monitored by the IOU. The Contract does not provide financial penalties rather continued KPI underperformance may result in Contract cancellation if performance is not improved after implementer corrective actions are implemented.

%	KPI	Metric	Description	Scoring	Continuous Monitoring Mechanisms
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	0: less than 70% 1: 70–90% 2: 90–110% 3: 110–130% 4: greater than 130%	Monthly Reports
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	0: less than (-0.4) 1: (-0.4) – (-0.2) 2: (-0.2) – (0.2) 3: (0.2) – (0.4) 4: greater than 0.4	Annual Reports
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	0: greater than (-0.4) 1: (0.2) – (-0.4) 2: (-0.2) – (0.2) 3: (-0.4) – (-0.2) 4: less than (-0.4)	Annual Reports
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	0: less than 15% 1: 15–24% 2: 25–30% 3: 31–40% 4: greater than 40%	Monthly Reports
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	0: less than 15% 1: 15–24% 2: 25–30% 3: 31–40% 4: greater than 40%	Monthly Reports

⁸³ Attachment 5, SoCalGas Enhanced Program Support Services

⁸⁴ RFP, Attachment 5, Table 1. Account Management support limited to represented customers (i.e., large).

%	KPI	Metric	Description	Scoring	Continuous Monitoring Mechanisms
				0: less than 70% 1: 71-80% 2: 81-90% 3: 91-100% 4: greater than 100%	Monthly Reports
				0: Unsatisfactory 1: Below expectations 2: Meeting Expectations 3: Exceeding Expectations 4: Greatly exceeding expectations	Monthly Reports
				0: less than 70% 1: 70% – 90% 2: 90% – 110% 3: 110% – 130% 4: greater than 130%	Monthly Reports

several broader KPIs as shown in the table below. The KPIs added to the standard set of KPIs required by SoCalGas are highlighted. The KPIs seem reasonable given the program design. For underperformance, the Contract sets forth a process to remedy such underperformance through corrective actions which are developed by the implementer and actively monitored by the IOU. The Contract does not provide financial penalties nor performance holdbacks, rather continued KPI underperformance may result in Contract cancellation if performance is not improved after implementer corrective actions are implemented.

%	KPI	SoCalGas Metric	KPI Definition	Scoring	Continuous Monitoring Mechanisms
				0: less than 70% 1: 70-90% 2: 90-110% 3: 110-130% 4: greater than 130%	Monthly Reports
				0: greater than (0.4) 1: (0.2) - (0.4) 2: (-0.2) - (0.2) 3: (-0.4) - (-0.2) 4: less than (-0.4)	Annual Reports
				0: less than 70% 1: 70-99% 2: 100% 3: 101-129% 4: greater than 130%	Monthly Reports
				0: Unsatisfactory 1: Below expectations 2: Meeting Expectations 3: Exceeding Expectations 4: Greatly exceeding expectations	Monthly Reports
				0: less than 70% 1: 71-80% 2: 81-90% 3: 91-100% 4: greater than 100%	Monthly Reports
				0: less than (-0.4) 1: (-0.4) - (-0.2) 2: (-0.2) - (0.2) 3: (0.2) - (0.4) 4: greater than 0.4	Annual Reports
				0: less than 15% 1: 15-24% 2: 25-30% 3: 31-40% 4: greater than 40%	Monthly Reports

%	KPI	SoCalGas Metric	KPI Definition	Scoring	Continuous Monitoring Mechanisms
				0: less than 15% 1: 15–24% 2: 25–30% 3: 31–40% 4: greater than 40%	Monthly Reports

7.5. Uniformity of Contract Changes

At the conclusion of SoCalGas' final bid selection decision, the IOU entered contract negotiations with [REDACTED]. As a starting point for negotiations, and consistent with CPUC direction, SoCalGas gave the bidders a set of CPUC standard and modifiable terms and conditions. Along with the CPUC's terms and conditions, the IOU provided its proposed additional terms in a separate document.⁸⁵ At the conclusion of [REDACTED] [REDACTED] As previously discussed, there were no changes made to the CPUC standard terms and conditions (see Section 7.3 Changes to Contract Terms & Conditions).

[REDACTED] geographical locations with slightly different program approaches. As a result, the Contracts also reflect differences such as incentive levels and direct install offerings. During negotiations, SoCalGas did strive for a common and comprehensive measure mix [REDACTED] Contracts to reduce the potential for lost opportunities and improved program experience with customers who have multiple facilities across the IOU's service territory. The IE notes that the measure incentive levels offered by [REDACTED] could be better aligned which would provide more consistency among them for those customers who operate facilities across [REDACTED].

8. Conclusion

The solicitation was fair and transparent and conducted without bias. SoCalGas adhered to its solicitation plan filed as part of their Business Plan application with the CPUC.

As previously noted, the IE indicated areas needing improvement, such as reducing the RFA requirements, improving the scorecard tool, and reducing the time required to complete discrete solicitation activities. SoCalGas did incorporate the recommended improvements in their future solicitations leveraging the experience of their collective IE pool to do so.

The IE notes SoCalGas' approach to contract negotiations, once initiated, was very efficiently implemented and allowed the IOU and the selected bidder(s) to collaborate on improvements to program delivery and projected program performance (e.g., TRC ratio). This type of collaborative contract negotiations was due in large part to SoCalGas' adherence to their filed solicitation plan that selects the winning bidder based on the merits of its program proposal and not the bidder's

⁸⁵ 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).

willingness to accept the IOU's contract terms proffered during the contract negotiations.

In sum, the IE supports the Contracts agreed to between SoCalGas and the program implementers as the result of this solicitation. We encourage the CPUC, the IOU and the implementers to have an open dialogue regarding the progress of the program's performance throughout the program implementation period and expected changes in policies that may impact the program's design, delivery, and ultimately the energy savings achieved.

Energy Efficiency Independent Evaluators' Semiannual
Report on the
Local Small-Medium Public Program Solicitation
Reporting Period: April 2020 through September 2020

Prepared by:
Apex Analytics



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Local Small and Medium Public Program

1. Solicitation Overview

This Report provides an evaluation of Southern California Gas Company's (SoCalGas or the Company) solicitation process for selecting a third-party contractor to implement new energy efficiency programs for the local small-medium public program. Apex Analytics LLC⁸⁶ (Apex), working as the Independent Evaluator (IE), generated this report to summarize the solicitation process to ensure its compliance with California Public Utilities Commission (CPUC or Commission) requirements. The Report is intended to reflect and provide a record of the entire solicitation in compliance with CPUC direction⁸⁷.

1.1. Overview

This Report summarizes the solicitation process for the Local Small and Medium Public (Public) solicitation. It reflects Apex's observations as the IE through the entire process, from the development of the Request for Abstracts (RFA) to finalizing the contract with the selected third-party energy efficiency (EE) contractor. Due to its budget (greater than \$5 million), this contract requires a Tier 2 Advice Letter filing. Therefore, per Ordering Paragraph 5 of CPUC Decision 18-01-004, this report will be attached to SoCalGas' Advice Letter filing that seeks Commission approval for its contract. We will also submit the report to SoCalGas' Procurement Review Group (PRG).

Scope

SoCalGas initiated the Public solicitation to develop a resource-based, innovative, and comprehensive program for small and medium public-sector customers. A small or medium public customer is defined as a customer whose maximum annual demand is less than or equal to 50,000 therms.⁸⁸ The solicitation requested that potential bidders address the local government, state government, federal government, and education market segments, but exclude public buildings covered by statewide programs.

Programs were requested to address all or a subset of very small, small, and medium public-sector customers in SoCalGas' service territory. Bidders were allowed to propose additional optional measures that save water and/or electricity. The solicitation aimed to obtain program ideas to address various segment barriers identified in SoCalGas' Business Plan through comprehensive strategies such as, but not limited to:

- Providing energy assessments and other forms of technical assistance;
- Providing simple/low-cost energy efficiency retrofits;
- Assessing customer copays for comprehensive/higher-cost energy efficiency retrofits;
- Leveraging available financing options to fund project co-pays (e.g. On-Bill Financing, Public Funding Assistance, private sector financing etc.);

⁸⁶ Light Tracker, DBA Apex Analytics, LLC.

⁸⁷ Decision 18-01-004, OPN 5.d.

⁸⁸ See SoCalGas Business Plan, p. 258 (Table 7 – Energy Consumption by Customer Size), available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

- Partnering with local small business organizations and community-based organizations;
- Including ways to use local technical consultants, contractors and vendors;
- Including focus on modifying organizational decision-making and adoption in rural and disadvantaged communities (DACs); and
- Leveraging existing SoCalGas Local Government Partnerships.

The solicitation anticipated that the program would be available to small and medium public-sector customers throughout SoCalGas' service territory but that programs would also include the flexibility to target specific customers based on criteria such as specific climate zones, customer site-specific energy savings potential, business size, distribution system needs, hard-to-reach (HTR) status, and members of DACs.

Objectives

The objective of this solicitation was to invite the energy efficiency industry to collaborate with SoCalGas in offering an innovative program for the very small, small, and medium customer groups. The Public solicitation was based on the needs and customer group profiles identified in SoCalGas' approved Business Plan⁸⁹; the solicitation was designed to achieve comprehensive, long-term energy savings.

1.2. Timing

The Public RFA was released in January 2019, and the Request for Proposals (RFP) was released in August 2019. RFP selections occurred in December 2019, and contract negotiations began in March 2020. Contract negotiations were completed in August 2020. The Public solicitation was generally on schedule as originally planned⁹⁰, although some delays were experienced after the RFP selection phase and into contracting. This delay was primarily due to this solicitation being one of the first solicitations to enter into contract negotiations, and therefore SoCalGas needed to develop processes consistent with PRG guidance as well as conduct extensive price negotiations during the contracting phase. Table 1.2 below outlines key milestones for the Public solicitation.

Milestones	Actual Completion Date
RFA	
RFA Released	January 31, 2019
Optional Bidder Webinar	February 7, 2019
Questions Due from Bidders	February 13, 2019
Responses Provided by SoCalGas	February 21, 2019
Bidder Abstracts Due	March 14, 2019
Abstract Review Period Ends	April 22, 2019
Calibration Meetings Held	May 9, 2019
Shortlist Meetings Held	May 16, 2019

⁸⁹ See SoCalGas Business Plan, available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

⁹⁰ Joint IOU Program Solicitations 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 caeccc.org.

Table 1.2: Key Milestones	
Milestones	Actual Completion Date
Shortlist Presented to PRG	June 4, 2019
RFP	
RFP Released	August 23, 2019
Optional Bidder Webinar	September 4, 2019
Questions Due from Bidders – Round 1	September 9, 2019
Responses Provided by SoCalGas – Round 1	September 16, 2019
Questions Due from Bidders – Round 2	September 19, 2019
Responses Provided by SoCalGas – Round 2	September 24, 2019
Bidder's Proposal Due	October 7, 2019
Calibration Meetings Held	November 11, 2019
Shortlist Meetings Held	November 18, 2019
Shortlist Presented to PRG	December 3, 2019
Contracting & Implementation	
Selected Bidder(s) Notified	January 22, 2020
Contract Executed	August 31, 2020
Advice Letter Filed	November 6, 2020
Contract Begins (Notice to Proceed)	December 2020
Implementation Plan Uploaded to CEDARS	February 2021 (est.)
Program Launch	Q1 2021 (est.)

1.3. Key Observations

Overall, we find that the solicitation was successful in procuring a program that will help meet SoCalGas' Decision 16-08-019 obligations, implement its Business Plan, and provide energy efficiency benefits to its customers and the State. SoCalGas' conduct and management of the energy efficiency 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 HTR and DACs.

Table 1.3 summarizes the key observations made during each solicitation stage. In general, the solicitation process through the RFA and RFP issuance and selection was smooth and straightforward. SoCalGas allowed for IE input into every step of the process and integrated feedback where relevant. Although it was an effective process, this solicitation represented the second round of third-party solicitations for SoCalGas, and therefore we identified some process improvements and lessons learned. SoCalGas was receptive to IE feedback and made many changes to subsequent rounds of solicitations based on these lessons learned. Table 1.3 provides a summary of the key observations with IE-suggested remedies and outcomes/lessons learned from the process.

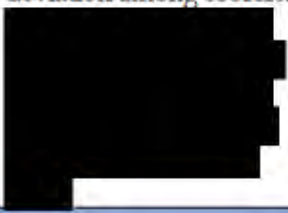
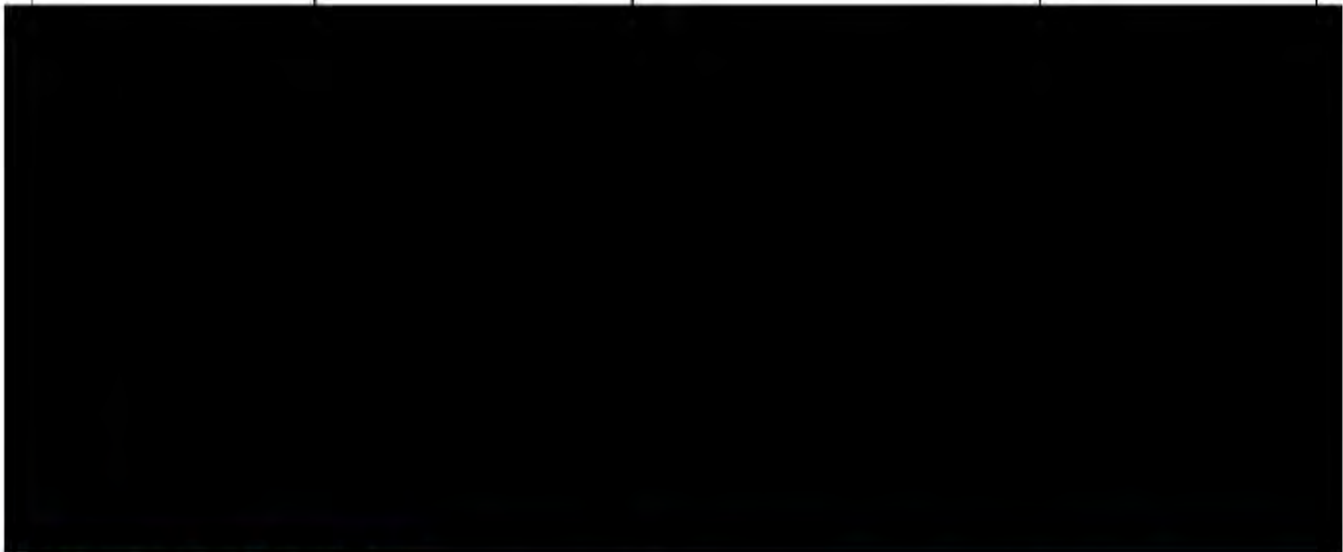
Table 1.3: Key Issues and Observations			
Topic	Key Observation	Potential Remedy	Outcomes/Lessons Learned
RFA Stage			
Scorer Training	Scorers had similar questions across solicitations.	SoCalGas should develop scorer training materials and a “Frequently Asked Questions” (FAQ) document to track responses to similar questions across solicitations. During scoring training, SoCalGas should conduct a mock scoring exercise to educate reviewers on the scorecard at both the RFA and RFP phase.	SoCalGas, with IE review, developed and maintains a scorer training document and FAQ. SoCalGas conducted mock training at RFA stage, but not at RFP stage.
Calibration Meeting Process	Prior to the meeting, the Solicitation team flagged scores that had more than a two-point deviation among scorers. 	Prior to the calibration meeting, SoCalGas should ask the IE if there are any unflagged areas that the IE would like the calibration meeting to cover and include these in the meeting materials.	SoCalGas has incorporated this into subsequent scoring processes
RFP Process			
RFP and RFA Alignment	The RFP had a different look and feel from the RFA template. This is a function of starting with a previous RFP template and adjusting to account for regulatory requirements and implementation plan requirements	SoCalGas should update future RFAs to align with the new RFP structure. Starting from its new RFP documents, SoCalGas should create new RFA documents with a consistent structure and with detail appropriate for an RFA.	SoCalGas intends to update its RFA for future solicitations to more closely align with the RFP.

Table 1.3: Key Issues and Observations			
Topic	Key Observation	Potential Remedy	Outcomes/Lessons Learned
Cost-Effectiveness Tool (CET) Feedback to Bidders and Adjustments to CET Inputs	SoCalGas provided feedback to bidders with a general comment about the need for CET alignment with 2020 workpapers, yet the CETs submitted still included errors.	SoCalGas should define the level of information provided back to bidders on measure inputs. [REDACTED]	Although SoCalGas did not specifically define this guidance for IE review, future rounds of CET review did provide consistent, specific guidance on measures that required updating [REDACTED]



Contracting and Negotiations			
Negotiation Process	SoCalGas' negotiation process was transparent and well-managed. The most substantial negotiations addressed price levels. SoCalGas requested improved pricing in multiple rounds with bidder.	Price negotiations could be more efficient with fewer rounds of back-and-forth with bidders.	SoCalGas noted that it plans to incorporate negotiation lessons learned into future contract negotiations.

2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

Bidders were informed about solicitation opportunities through three main sources. SoCalGas used

Proposal Evaluation & Proposal Management Application (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 Website⁹¹ and California Energy Efficiency Coordinating Committee (CAEECC⁹²) web site.

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 2.1 provides statistics on the bidder response to the Public 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.

[REDACTED] Although this is not a large number of responses, it was reported by SoCalGas to be consistent with their expectation of the response to the Public market. From our perspective, this level was sufficient for competition and not unexpected given the focused nature of this solicitation on the Public sector. [REDACTED] to the RFP phase submitted complete bids and were scored.

Table 2.1: Solicitation Response	
	Number
Abstracts Expected	[REDACTED]
Abstracts Received	[REDACTED]
[REDACTED]	[REDACTED]
Proposals Invited	[REDACTED]
Proposals Received	[REDACTED]
[REDACTED]	[REDACTED]
Bidders Advanced to Contracting	[REDACTED]

2.2. 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 2.2). SoCalGas developed written responses to questions posed by bidders during the webinar and submitted to PowerAdvocate. SoCalGas sent these responses to all potential bidders through PowerAdvocate.⁹⁴ In both phases, the IEs 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.

⁹¹ <https://www.socalgas.com/regulatory/efficiency/index.shtml>

⁹² <https://www.caeecc.org/third-party-solicitation-process>.

⁹³ These bids were not complete responses; instead they represented basic bidder information and no attachments with responses to the RFA questions.

⁹⁴ PowerAdvocate is SoCalGas' online solicitation tool.

At the RFA Bidder's Conference, approximately⁹⁵ ██████████ asked many clarifying questions addressing budgets, pay-for-performance, workpapers, and support services.

For the RFP phase, SoCalGas moved the Webinar platforms in order to record the conference, per PRG feedback and to support bidder flexibility. SoCalGas used one platform for the conference and another platform for live questions from bidders. There were some technical difficulties with the conference, delaying the start of the Webinar.

At the RFP phase, SoCalGas offered two rounds of bidder Q&A. Bidders posed six questions in Round 1 of Q&A and no questions in Round 2. Round 1 questions covered topics such as webinar logistics, overall third-party solicitation goals, license requirements, Normalized Metered Energy Consumption (NMEC) scoring preference, disadvantaged workers, and enhanced support services. In all cases, SoCalGas was able to point to areas of the RFP or PowerAdvocate where information responding to the question was located.

RFA Bidder Conference Date	February 7, 2019
Number of Questions Received	17
RFP Bidder Conference Date	September 4, 2019
Number of Questions Received	6

2.3. Solicitation Design Assessment

The solicitation design met SoCalGas' intended need to procure a resource-based program(s) targeted at the Public sector within the very small, small, and medium-sized customer groups. SoCalGas' solicitation strategy aligned with its 2017 Business Plan⁹⁶ and the Company's dedicated Third-Party Energy Efficiency Solicitations web site, Energy Efficiency Third Party Solicitations⁹⁷. 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. Specifically, the Public segment solicitation sought to obtain program ideas to address various segment barriers identified in the Business Plan, with a focus on providing simple/low-cost energy efficiency retrofits; incorporating customer copays for comprehensive/higher-cost energy efficiency retrofits; leveraging available financing options to fund project copays; and including ways to use local contractors and vendors.

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

⁹⁵ SoCalGas' systems do not allow the tracking of the specific number of participants and/or bidder companies that participate

⁹⁶ https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF

⁹⁷ <https://www.socalgas.com/regulatory/efficiency/index.shtml>

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

The RFA for the public solicitation was composed of 12 documents, including the RFA, 3 attachments for the bidder to populate, and 8 exhibits for bidder reference. We believe this was a reasonable number of documents for the RFA. The RFA was primarily based in Microsoft Word, with some associated Microsoft Excel tables.

Overall, we believe that the RFA packet was well designed in terms of clarity and quantity of required information to be provided by the bidder. In general, SoCalGas used a template strategy, where they developed a template to use with all solicitations. Therefore, for the Public solicitation (which was part of Round 2), SoCalGas leveraged the Round 1 RFA templates, which had been reviewed by the IE pool prior to Round 1 issuance. SoCalGas used lessons learned from Round 1 to improve the Public RFA template and scorecard. The IE provided a detailed review of the scorecard for consistency and clarity, and this feedback was accepted by SoCalGas. Additionally, prior to issuance, Apex conducted a detailed review of the RFA templates and found some opportunities for improvement, all of which were addressed by SoCalGas. Improvement areas included: defining that multiple contractors may be selected through the process, clarifying treatment for deemed/prescriptive/custom measures, and other minor edits.

3.2. RFP Design Requirements and Materials

For the RFP stage of the Public solicitation, SoCalGas released a total of 29 documents, including instructional documents for the RFP and the bidder conference, attachments to be completed by the bidder, and exhibits for informational purposes. After release, SoCalGas amended the RFP instructions to request that bidders submit CET input sheets. We believe this was a reasonable number of documents for the RFP, although substantially more than the RFA phase and with an opportunity for streamlining in the future. The RFP was primarily based in Microsoft Word, with some associated Microsoft Excel tables.

Overall, the RFP packet was effective in requesting information from bidders. The RFP design was a relatively smooth process due to SoCalGas' development of templates for solicitation documents. Similar to the RFA process, in early 2019, the SoCalGas IE pool reviewed and provided feedback on the first RFP template in preparation for the Single-Family and Multifamily RFP process. Therefore, for the Public solicitation, the IE review consisted of a quick review of documents and a fresh review for Public-sector-related issues. During the initial RFP design, Apex provided substantial feedback to the Round 1 RFP Guide draft. Edits included: a) aligning the information requested with the RFA to ensure no gaps in information and increased consistency in questions for bidders; and b) increasing clarity for bidders. Discussion with the IEs and SoCalGas resulted in agreement that the proposal should be "stand-alone" rather than requiring reviewers to search back to the RFA. This was recommended based on the often thin information in the RFA abstract responses. Therefore, edits were required to ensure that the RFA components were all included in the RFP. Due to timing and approach, the RFP templates differed from the released RFAs in both structure and content (e.g., the RFP templates use slightly different questions, the RFAs requested more granularity for some questions, etc.). To improve efficiency for bidders, the IE recommended that SoCalGas update future RFAs to align with the new RFP structure.

Based on IE feedback, SoCalGas adjusted the RFP for several factors. PRG members also provided

feedback on the RFP design. Most comments were accepted and addressed by SoCalGas, including basic edits, adjustment to language on NMEC being limited to below-code projects, appointment of a gatekeeper to track comments across solicitations to ensure consistency, and use of a proofreader. Based on IE feedback, SoCalGas adjusted the RFP for several factors including:

- More clearly specifying information on Public-targeted sub-segments to encourage more specific Public sector bids.
- Combining all scope of work-related components into one section of the RFP document.
- Delaying the bidder conference to after Labor Day (to avoid the Friday before Labor Day).

3.3. Response to PRG and IE Advice

As noted above, SoCalGas shared both initial templates of RFA and RFP materials first with the IEs and then with the PRG. Then, for the specific RFA and RFP, those were also 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.

At the RFA phase, the PRG raised concerns regarding the targeted nature of the Public Sector solicitation and expressed a preference for a broader, sector-wide strategy. The IE shared that there are pros and cons to the SoCalGas strategy including:

- **Competitive pricing:** A broader RFA could lead to price discounts from bidders able to spread fixed costs across multiple markets. However, with a targeted approach, an IOU may also be able to achieve similar discounts through contract negotiations, if it decides to select the same vendor for multiple programs.
- **Number of bidders:** A broader RFA covers more customers and requires larger overall budgets and could therefore be more attractive to bidders. More targeted RFAs may encourage more small/diverse firms to compete for narrower markets.
- **Ability to fairly evaluate dissimilar bids:** A broader RFA allowing bidders to target different segments can result in complex bid review (i.e., bids targeting different groups of segments will have different magnitudes, unit costs, and cost effectiveness; bids may need to be broken into components for fair and consistent scoring). A more targeted RFA is more likely to receive bids with similar scopes, and therefore enable more fair and consistent scoring. Yet, even within targeted RFAs, bidders may propose different delivery strategies, or sub-segmentation.
- **Focus on underserved markets:** A broader RFA may have difficulty ensuring that bidders provide sufficient focus on underserved niche markets in their proposals or in execution once implementation begins. By definition, an RFA targeting an underserved/niche market will ensure that bidders focus specifically on that market.

Overall, the IE believes there are advantages and disadvantages to both approaches, and both approaches are consistent with industry best practices. Apex finds the SoCalGas approach of focused solicitations to be reasonable and consistent with the strategies outlined in its Business Plan and Solicitation Plan.

At the RFP phase, the PRG provided feedback on the RFP design. Most comments were accepted

and addressed by SoCalGas, including basic edits, adjustment to language on NMEC being limited to below-code projects, appointment of a gatekeeper to track comments across solicitations to ensure consistency, and use of a proofreader. The PRG provided other comments that were considered by SoCalGas, but not fully accepted, as follows:

- [REDACTED]
- **Prescribing KPIs.** PRG members requested that SoCalGas identify required and optional KPIs. SoCalGas did not make this change in order to allow for bidder flexibility in design.
- [REDACTED]

Based on PRG guidance, SoCalGas committed to consolidating future RFP documents to reduce the number of exhibits and attachments, and SoCalGas committed to investigating if social media can be used for creating more awareness on future solicitations.

4. Bid Evaluation Methodology Assessment

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. Then, the scoring team independently scored each bid following the scoring guidance reviewed by the PRG and the IE. Lastly, SoCalGas held calibration meetings among scorers and a shortlist meeting to decide on final selections.

4.1. 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 energy efficiency technologies, tool development, research and development (R&D), or completion (i.e. 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 energy efficiency program;
 - Energy efficiency programs and programs that overlap or duplicate the efforts of statewide energy efficiency programs;

- Programs that are primarily based on behavioral measures (Note: Resource program designs that include a behavioral-based strategy are acceptable);
- Income-Qualified energy efficiency programs and non-energy efficiency products or services;
- Programs that solely promote demand response;
- Non-energy efficiency programs/services and services that support other energy efficiency 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.);
- Local Government Partnership or Regional Energy Network Programs or programs that overlap or duplicate the efforts of Local Government Partnerships or Regional Energy Networks;
- Programs based solely on deemed measures, without supporting CPUC-approved workpapers or Database of Energy Efficiency Resources (DEER) identification.

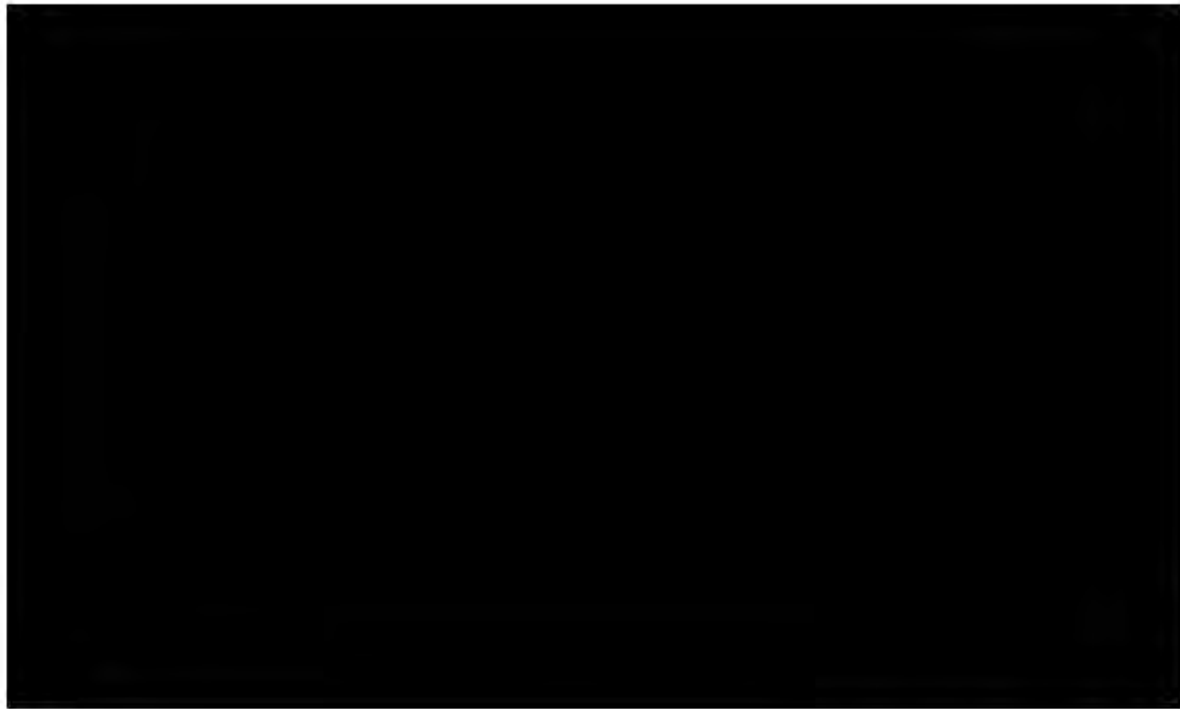
For the RFA, [REDACTED]

At the RFP phase, all bids met the screening requirements and were moved to the scoring 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.

4.2. 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 [REDACTED]

[REDACTED] 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 with the PRG for feedback.



The [redacted] were used for scoring RFPs. The scoring rubric was designed to balance multiple factors and was generally consistent with PRG guidance. PRG members suggested different weightings for some categories; SoCalGas made some adjustments to accommodate these requests.



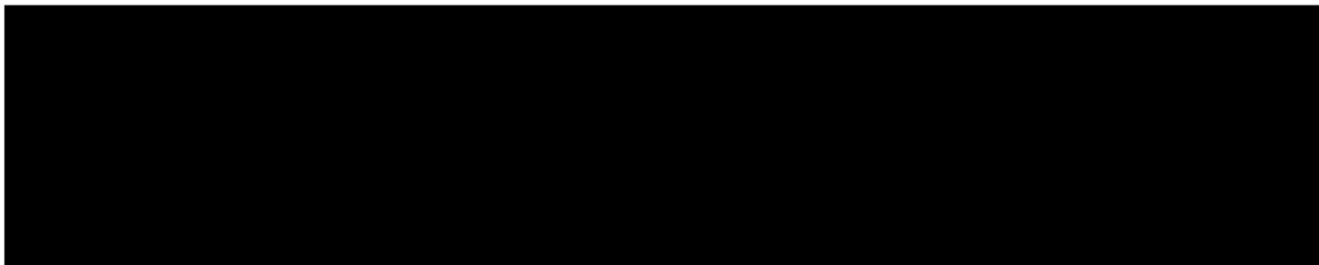


4.3. Evaluation Team Profile

For the RFA and RFP, SoCalGas maintained a consistent team of scorers, as shown in Table 4.3 below. SoCalGas conducted scorer training for the RFA on March 26, 2019 and for the RFP on October 2, 2019, which included detailed information on the [REDACTED]. 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.



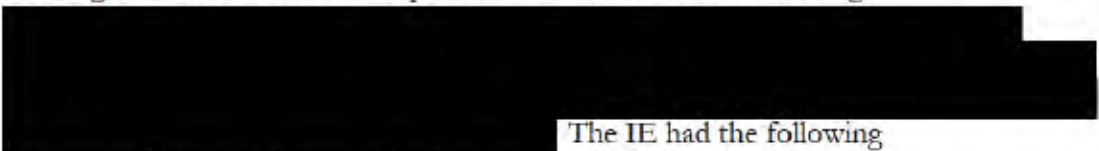
4.4. Scoring Processes





The scoring processes were fair, transparent, and effective in gaining multiple perspectives on bid scoring. During the RFA and RFP processes, the IE identified several areas of improvement:

- The IE scores were not included in the calibration meeting deviation analysis. Although the IE was allowed to bring up issues beyond those flagged for meeting discussion, the IE recommended that SoCalGas allow IEs to flag scoring items to discuss prior to the meeting. SoCalGas included the process in future calibration meetings.

-  The IE had the following

recommendations to improve this issue:

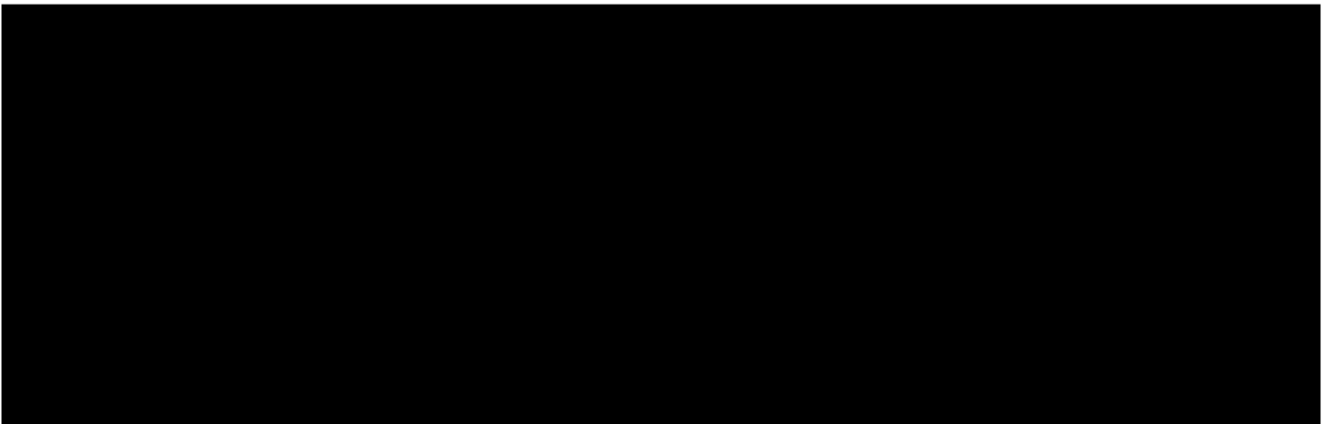
- Although SoCalGas conducted a scorer training, it did not include a mock training exercise for scorers; a mock training may have increased scoring consistency. SoCalGas tested a mock training exercise, but it did not prove very useful due to lack of actual bids to review (as the exercise was conducted prior to bid submission).

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- Reviewers had some of the same issues that arose during Round 1. Based on this finding, the IEs recommend that SoCalGas develop and maintain an FAQ document for scoring, which SoCalGas created and used in subsequent rounds of scoring.



SoCalGas conducted two rounds of review and feedback of the CET to bidders in the Public solicitation. Although SoCalGas created a CET process document, it was not clear if feedback to bidders should only include general comments, highlight inaccurate inputs, or provide updated inputs to use in the analysis. Therefore, for consistency and expediency, it was decided that general feedback would be given to bidders in Round 2.

SoCalGas hosted post-calibration meetings with the Public sector based on discussions with the Commercial sector. Throughout the process, SoCalGas worked to ensure consistency between the Commercial and Public sector scoring and processes.

4.5. Response to PRG and IE Advice

As noted above, SoCalGas made process improvements to the scoring process in response to IE feedback. The PRG provided detailed feedback on Round 1 scorecard elements, which were addressed by SoCalGas.

5. Final Bid Selection Assessment

5.1. Conformance with Established Evaluation Processes

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 generally focused consistently applying the rubric. IE shadow scores were consistently in line with the scoring team (sometimes higher, sometimes lower). The scorecard worked well as general impressions of RFA and RFP qualities were born out in the final consensus scores. SoCalGas integrated the IE into key meetings, including the RFA/RFP conformance, CET assessment, calibration meetings, post-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. SoCalGas was also very careful to ensure consistency in scoring and process for the Commercial and Public sector bids (which were concurrent Round 2 solicitations).

5.2. Management of Deficient Bids

As noted above, [REDACTED] not meet the Proposal Responsiveness category. In the RFP phase, there were no deficient bids.

5.3. Shortlist and Final Selections

a. Conformance with Established Evaluation Processes

The 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 discussed the selection possibilities and decided to move the highest scoring bid to the contracting phase, which was consistent with IE perspective. We appreciated that SoCalGas included the IE in the discussion of the shortlist with the SoCalGas team, rather than presenting a decision after it has been made.

Prior to each shortlist meeting, IE insights were shared with SoCalGas. Generally, the IE and SoCalGas were in alignment with scoring and the shortlist decision by SoCalGas.

At the RFA phase, [REDACTED]. In the RFP phase one bidder was selected to move forward to contract negotiations: [REDACTED]

b. Portfolio Fit

The winning bidder's proposal was consistent with the Scope of Work and consistent with the Business Plan needs. Portfolio fit was not directly used in the bid selection.

5.4. Response to PRG and IE Advice

At the RFA and RFP shortlist phases, the IE agreed with the shortlist decisions and the PRG did not share any concerns regarding the selection of bids. For the final RFP selection, PRG staff recommended moving forward with the winning proposal and noted several positive aspects of the program, including high TRC, experienced implementer, inclusion of water and electricity savings and partners, clear process plans, reasonable rates, and clear KPIs. [REDACTED]

[REDACTED]

Additionally, the PRG had several questions on bid including whether NMEC was site or population level, NTG for NMEC projects, water savings, and incentive payment strategy.

In February 2020, PRG members raised concerns with SoCalGas about delays in moving to the contracting stage for this solicitation.

5.5. Affiliate Bids and Conflict of Interest

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

6. Assessment of Selected Bids

6.1. Bid Selections Respond to Portfolio Needs

For the final selection, the bid 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.

6.2. Bid Selections Provide Best Overall Value to Ratepayers

Overall, we find that the selected program, Synergy's PDIP was chosen through a transparent, competitive process; was the highest scoring bidder of both the RFA and RFP processes; and met SoCalGas business plan goals. [REDACTED]

[REDACTED] generally demonstrated superior attributes relative to the other proposals.

a. Program Description

Synergy describes the program as a turnkey, cost-effective, end-to-end solution for the Public sector that serves local government, federal government, and education facilities. In addition to no-cost direct install measures, the program offers advanced energy efficiency improvements that can be financed by the customer. The principal measures of the program include tank insulation, showerheads, pre-rinse spray valves, lavatory control valves and aerators, water heaters, and furnaces. The proposed program employs efforts to leverage relationships with electric and water utilities serving customers that overlap with SoCalGas' service territory.

b. Quantitative Metrics

The following table shows a summary of the quantitative information from the PDIP program contract. Where relevant, we have also provided for comparison ex-ante metric information from the SoCalGas business plan.

Item	Amount	SoCalGas Business Plan
Budget	[REDACTED]	\$9.2-\$9.8M per year
Net Therms (MM, First Year)	2.295 M Therms over 3 years	1.7-1.9M Therms per Year
Total Resource Cost test (TRC)	1.87	1.0
Total Resource Cost test (PAC)	2.49	1.3
Cost per Therm (\$/Therm, first year)	\$2.61	\$5.45
Disadvantaged Communities (% Savings From)	15%	NA
Hard to Reach Customers (% Savings From)	15%	NA

The PDIP 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 pursuit of doubling statewide energy efficiency savings by 2030 and seeking to overcome barriers to

disadvantaged communities participating in energy efficiency programs.⁹⁸ The program relies on a direct install approach for gas measures, with the aim to advance customers down a clean energy path by leveraging partnerships and end-user financing to drive a more comprehensive solution.

The program has a strong TRC which, as evidenced by Table 6.2a above, was higher than anticipated in the 2017 Business Plan. Innovative features include comprehensive direct install measures, along with high-efficiency measure offerings to leverage financing and other utility funding. In addition, the program has a target of 15 percent of its savings coming from HTR customers and those living within DACs.

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

The program's compensation structure is 100% percent fixed-unit pricing and does not have any "pay-for-performance" components⁹⁹.

Payments are therefore "payment per widget" wherein SoCalGas pays individual deemed measures installed (and a sample inspected). 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 measure installations. On the other hand, contractor risk is not excessive in that the contractor is likely confident that they can meet established goals and ensure that they are reasonably compensated for work completed.

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 6.2b below.



⁹⁸ SB 350 is the Clean Energy and Pollution Reduction Act of 2015.

https://leginfo.ca.gov/pub/01_01_bill_20150101_0001_0000_bill_201520160SB350.html

⁹⁹ CPUC Decision 18-01-004 has associated specifically with programs using meter-based savings methodologies (measured and verified savings).

7. Reasonableness of Contracting Process

7.1. 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. [REDACTED]

[REDACTED] In terms of comprehensiveness, the measure mix was revised to align with the 10% comprehensive projects goal. Additionally, revisions were made to KPIs to allow for goals to be measured against planned implementation rate and language clarified to indicate the source of information and how often it is measured. Two KPIs regarding conversions to audits were replaced with KPIs to track installations and average savings per project. Finally, both sides agreed to remove the NMEC pilot from the final program design due to concerns of applicability for the segment.

The bidder's proposed program design did not change substantially from what was proposed. [REDACTED] 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." [REDACTED] of the requirement that the program be designed by the third party.

7.2. Fairness of Negotiations

The contract negotiations were generally fair, transparent, and effectively run. Contract negotiations occurred over a four-month period. SoCalGas used a comment tracker for ease of tracking information and met multiple times with the bidder. In general, the negotiations focused on the structure of the program and pricing and less so on the contract structure.

In multiple areas of the contract, the IE pointed out some SoCalGas contract terms that seemed to place risk on the contractor, such as indemnities and force majeure language (Sections 9.1 and 19 of schedule A), although these were not requested negotiations from the bidder.

7.3. 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.

7.4. Conformance with CPUC Policies and Objectives

Table 7.4 provides a summary of the way elements of the program align with CPUC Policies and Objectives.

PRG Guidance and Other Considerations	Apex Comment
IOU should develop standard contract template with CPUC standard terms, compliant with applicable CPUC policies, decisions or specific directives, consider PRG and 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)	Confirmed. SoCalGas developed contract template and received review from PRG.
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.
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.
Other aspects of the contract template do not conflict with CPUC terms and conditions, policies, decisions or direction. (6.1.4/5)	Confirmed. IE reviewed the contract in entirety for conflicts.
IE pool reviews standard contract template and provides comment. (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 IOU process and approach to 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 met with the bidder early in the process to explain the contracting process.
Prior to execution, the assigned IE and PRG should review final contracts for each program recommended for award. (6.3.1)	Confirmed. IE reviewed final contracts on 7/29/20.
Reasonable number of KPIs.	Confirmed. There are 10 KPIs addressing different aspects of the Contractors performance.
KPIs make sense in terms of measuring, scale, timeframe.	Confirmed. IE provided comments on the initial draft to ensure Company and Contractor considered program ramp up time and KPIs were adjusted.

Table 7.4: Contract to Guidance Comparison	
PRG Guidance and Other Considerations	Apex Comment
Contract includes appropriate performance issue remedies.	Confirmed. Time and scores that trigger performance issues are identified and described.
Contract clearly addresses Support Services.	Confirmed. Attachment 2 lays out Support Services offered by SoCalGas.
Innovative aspects of program are retained.	Confirmed. The innovative features that distinguish the SoCalGas PDIP program implemented by Synergy are: (1) a clear path to Zero Net Energy; (2) Electric and Water Utility Leveraging; and (3) HTR and DAC Deep Saturation. The small portion NMEC measurement was removed due to the small role but relatively large commitment it would play in the program offering.
If applicable, IDSM components are included.	The path to Zero Net Energy has IDSM components.
If applicable, program considerations for HTR and DAC are incorporated.	Confirmed. The program goal is 30% DAC/HTR.
Changes proposed by SoCalGas and Contractor were reasonable and fair.	Although the pricing negotiations raised concerns that SoCalGas was setting price targets and then adjusting, the parties were ultimately able to mutually agree on prices.

7.5. Uniformity of Contract Changes

Only one contract for the Public sector was negotiated for this solicitation. [REDACTED]

8. Conclusion

The 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 raised during the solicitation process, which were largely resolved. SoCalGas also used lessons learned to improve future solicitations.

Overall, SoCalGas' Public sector 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 PDIP 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 filing.

Energy Efficiency Independent Evaluators' Semi-Annual
Report on the

Statewide Point-of-Sale Food Service Solicitation

Reporting Period: April 2020 through September 2020

Prepared by:
MCR Corporate Services



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Statewide Point-of-Sale Food Service Program

1. Solicitation Overview

1.1. Overview

Southern California Gas Company (SoCalGas or the Company) is the statewide lead program administrator responsible for the Statewide Point-of-Sale (POS) Food Service program.¹⁰⁰ 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.

Scope

SoCalGas manages a large portfolio of customer-focused energy efficiency (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.¹⁰¹

SoCalGas has categorized the non-residential Food Service segment as part of the investor-owned utilities' (IOU) Commercial sector¹⁰² 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 energy efficiency 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

¹⁰⁰ In Decision 18-05-041, the CPUC-assigned Program Administrators to lead specific statewide programs.

¹⁰¹ RFP 91622 – Statewide Point-of-Sale Food Service Request for Proposal, Southern California Gas Company, (SoCalGas RFP) January 29, 2020, at p. 2.

¹⁰² SoCalGas Business Plan, at p. 26.

- Corporate Owned Business¹⁰³

Objectives

The purpose of this solicitation is to invite the energy efficiency industry to collaborate with the IOUs to offer an innovative, resource-based energy efficiency program(s) to public and non-residential end-use customers throughout California. This solicitation is based on the vision and goals presented in the approved SoCalGas Business Plan¹⁰⁴, 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.¹⁰⁵

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 energy efficiency target requires more aggressive and comprehensive efficiency upgrades.¹⁰⁶

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, hard-to-reach (HTR) status, and members of disadvantaged communities (DACs).¹⁰⁷ Bidders should consider the segment challenges/barriers identified in Table 1.1 in their submissions:

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 stock practices often involves risk.
Extensive Market Outreach and Engagement	Unlike downstream programs that typically have a single transaction 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 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 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.

¹⁰³ SoCalGas RFP, at p. 11.

¹⁰⁴ SoCalGas Business Plan, p. 26.

¹⁰⁵ SoCalGas RFP, at p. 10.

¹⁰⁶ Id., at p. 11.

¹⁰⁷ Id., at p. 12.

Program Stability	Changes to program requirements must be communicated in 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.
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1.2. Timing

Table 1.2 details the expected and actual Request for Abstract (RFA) and Request for Proposal (RFP) milestones for the Statewide POS Food Service solicitation.¹⁰⁸

Table 1.2: Key Milestones	
Milestones	Date
RFA Stage	
RFA Launch	August 12, 2019
Optional Bidder Web Conferences	August 19 and 21, 2019
Questions Due from Bidders	August 23, 2019
Responses Provided by SoCalGas	September 4, 2019
Bidder Abstracts Due	September 27, 2019
Shortlist Notification	January 23, 2020
RFP Stage	
RFP Released	January 29, 2020
Optional Bidder Webinar	February 10, 2020
Questions Due from Bidders—Round 1	February 14, 2020
Responses Provided by SoCalGas—Round 1	February 21, 2020
Questions Due from Bidders—Round 2	February 26, 2020
Responses Provided by SoCalGas—Round 2	March 4, 2020
Bidder's Proposals Due	March 18, 2020
Selected Bidder(s) Notified	May 15, 2020
Contracting Stage	
Negotiations & Contracting	June 17 – October 30, 2020
Contract Executed	December 2020
Advice Letter Filed	Pending
Contract Begins (Notice to Proceed)	Pending
Implementation Plan Uploaded to CEDARS	April 30, 2021 (est.)
Program Launch	Pending

1.3. Key Observations

Table 1.3 summarizes Key Issues identified by the Independent Evaluator (IE), including IE recommendations and SoCalGas's response. The key issues are detailed throughout the appropriate

¹⁰⁸ Id., at p. 8.

sections of the report.

Table 1.3: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Cost-Effectiveness Tool (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.).	This recommendation was made at the March 3, 2020 energy efficiency Procurement Review Group (PRG) Meeting and received favorable verbal comments from several attendees. SoCalGas agreed to consider this recommendation.



Table 1.3: Key Issues and Observations

Topic	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 recommends 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.	Since the IE's recommendation, SoCalGas has been clearer and more realistic about defining its solicitation timeline and keeping to it. It has also been publishing its timelines and any variations from it in the EE PRG Meeting materials.

2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

SoCalGas conducted outreach through the standard channels, resulting in [REDACTED] of the abstract due date (September 27, 2019), which was fewer than expected, but still an adequate number.

SoCalGas received [REDACTED] was above the minimum limit of three that SoCalGas established to move forward with the solicitation. SoCalGas [REDACTED]

The RFP was launched via PowerAdvocate on January 29, 2020, and [REDACTED] submitted proposals by the March 18, 2020, deadline. As noted in Table 2.1, below, [REDACTED]

Table 2.1: Solicitation Response	
	Number
RFA Stage	
Abstracts Expected	[REDACTED]
Abstracts Received	[REDACTED]
[REDACTED]	[REDACTED]
Abstracts Shortlisted	[REDACTED]
RFP Stage	
Proposals Expected	[REDACTED]
Proposals Received	[REDACTED]
[REDACTED]	[REDACTED]

2.2. Bidder's Conference and Q&A

RFA

SoCalGas held a combined RFA Bidder Web Conference for the two statewide solicitations on August 19 and 21, 2020. This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

SoCalGas held a combined RFP Bidder's Web Conference for the two statewide solicitations on February 10, 2020. This solicitation activity was addressed in the April 2020 Semi-Annual Report.

2.3. Solicitation Design Assessment

This solicitation activity was addressed in the April 2020 Semi-Annual Report.

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design and Materials Assessment

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

3.2. RFP Design and Materials Assessment

Prior to the development of the POS Food Service RFP package, SoCalGas embarked on an effort to consolidate its RFP template package. The package had grown to 29 separate documents, which was generally agreed to be too many. SoCalGas' IEs were asked to lead this effort but were initially hampered by the edict from SoCalGas' Legal Department that all 29 documents were necessary.

Therefore, no documents could be eliminated.

The resulting final RFP template package contained just 16 files—accomplished without eliminating files or changing the contents of any files—just changing how the material was presented.

SoCalGas based its POS Food Service RFP package (and the simultaneous statewide Midstream Water Heating solicitation RFP package) on the new RFP template package, which saved time but the package still needed to be reviewed. SoCalGas’ improvements to the RFP resulting from the IE’s review were straightforward.

SoCalGas’ POS Food Service RFP documents and solicitation process were well designed and struck an appropriate balance between obtaining sufficient information and not overburdening bidders, and they successfully fostered a robust evaluation process.

3.3. Response to PRG and IE Advice

RFA

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

The IE and PRG together made 37 recommendations for improving the POS Food Service RFP package [REDACTED]. Of those, SoCalGas accepted and implemented, at least partially, 33 (89%). One (3%) was considered, but not accepted. The other three (8%) were comments or questions, rather than recommendations for change, so no action was requested or taken. Examples of the IE’s and PRG’s recommendations include:

- “Provide bidder with some guidance on the type of information they should be providing (e.g., hours/customer, hours/year, High/Med/Low, etc).”
- “The enhanced services section does not appear to have been customized to statewide administration.”

Overall, SoCalGas was more amenable to accepting IE and PRG recommendations than previously.

4. Bid Evaluation Methodology Assessment

4.1. Bid Screening Process

RFA

This solicitation activity was addressed in the November 2019 Semi-Annual Report.


RFP

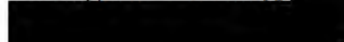




Like the RFA stage, SoCalGas' evaluation of bidder proposals consisted of two parts: a threshold assessment to determine the responsiveness of the proposal to minimum requirements, and proposal scoring. The proposal threshold assessment added to the abstract assessment by also assessing whether the proposal differed too much from the abstract on which it was based, in terms of:



- Program theory, expected outputs, and expected outcomes;
- Approach to targeting and enrolling customers;
- Use of upstream, midstream, or downstream delivery channels;
- Types of incentives and financing offered to participants; and
- Other features that Bidder has identified as key distinguishing features.


During this screening, 




 There was a significant amount of discussion between SoCalGas, the IE, and the PRG to determine the best, most consistent, and fairest course-of-action. Table 4.1a lists the questions raised during the discussion.

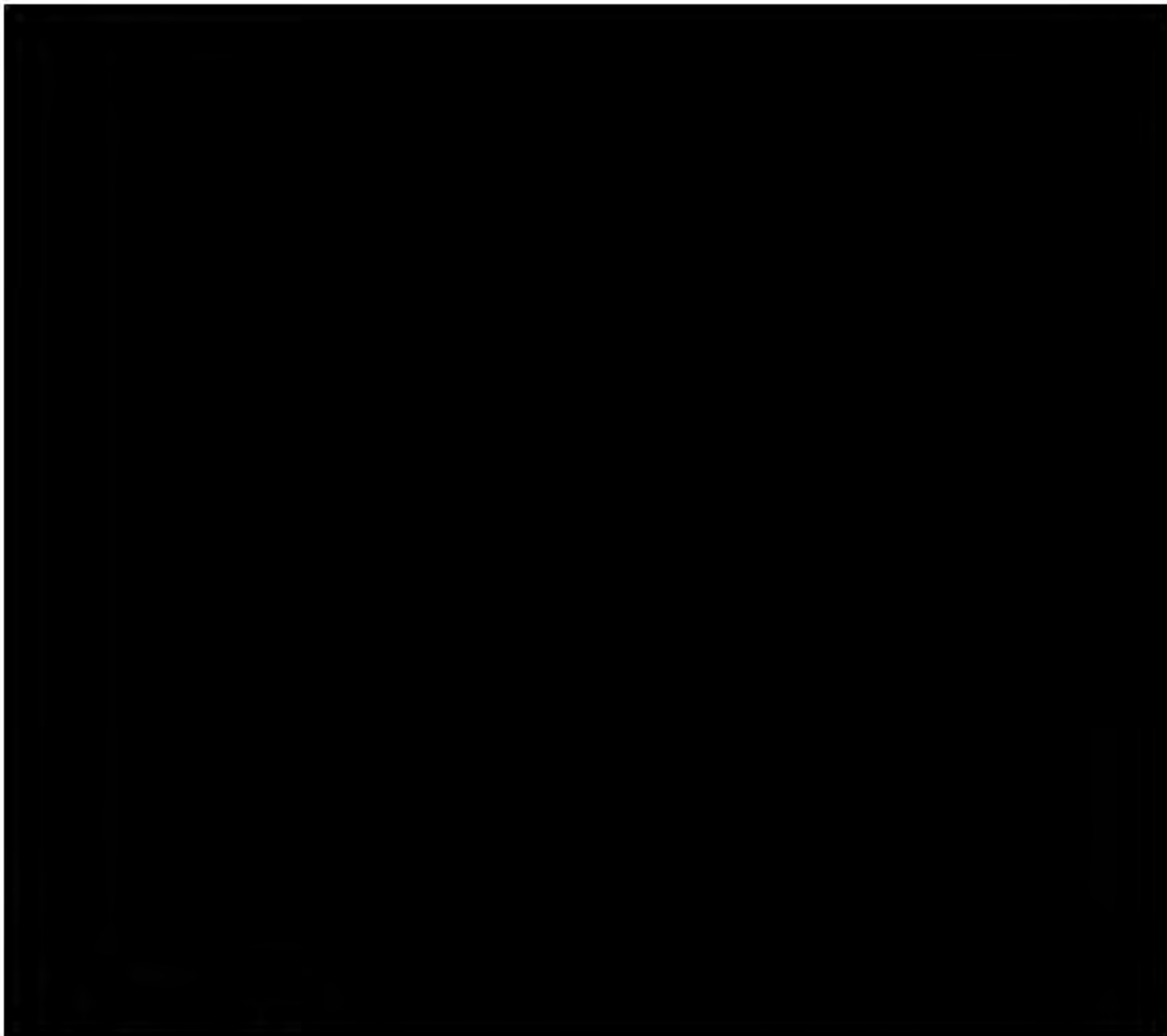


SoCalGas' policy as stated in the RFP and several supporting documents is to disqualify a bidder for failing to submit a mandatory document. However, there is nothing about how to handle the situation in which a bidder submits the wrong document. Ultimately, SoCalGas determined that its options were either:

1. Cure by  the proper document OR
2. Disqualify  bid was non-conforming.

In the end, SoCalGas decided that it would be unfair to 

 disqualified. This was a difficult decision because it left  to compete for the program. The  were then scored using the rubric in Table 4.1b during the scoring period that ran from March 25 to April 15, 2020.



Calibration Meeting

RFP questions with a range of evaluator scores of two or greater were discussed during the Calibration Meeting to confirm consistency among scorers in the application of scoring element definitions. [REDACTED] The IE added nine more questions for discussion for which the IEs' scores varied from those of SoCalGas' evaluators (by 1 or more) to assist the IE in understanding how SoCalGas' evaluators interpreted the scoring criteria.

The IE shadow scored the [REDACTED] but did not share its scores with SoCalGas until after the Calibration Meeting. The IE's and SoCalGas' scores for the proposals were not only ranked the same but scored nearly the same, too.

Shortlist and Selection Meeting

With the final proposal scores settled, SoCalGas' evaluators conducted additional discussions of the bidders' proposal with management present to select which bidder would be invited for contract negotiations. The management representative asked questions about the bidders' proposals that prompted deeper discussion among the evaluators and helped solidify the choice for finalist.

SoCalGas [REDACTED]

4.2. Scoring Rubric Design

RFA

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

The scoring rubric for the RFP stage was detailed in Table 4.1b, above. The rubric was developed as part of the RFP template consolidation effort described in Section 3.2 that involved all of SoCalGas' IEs and was reviewed by the PRG. Most of the recommendations provided by the IEs during the development of the scorecard focused on making the scorecard easier to use and improving consistency. For example, the descriptors used by evaluators to decide what score to award were sometimes not mutually exclusive or did not consider possible bidder responses.

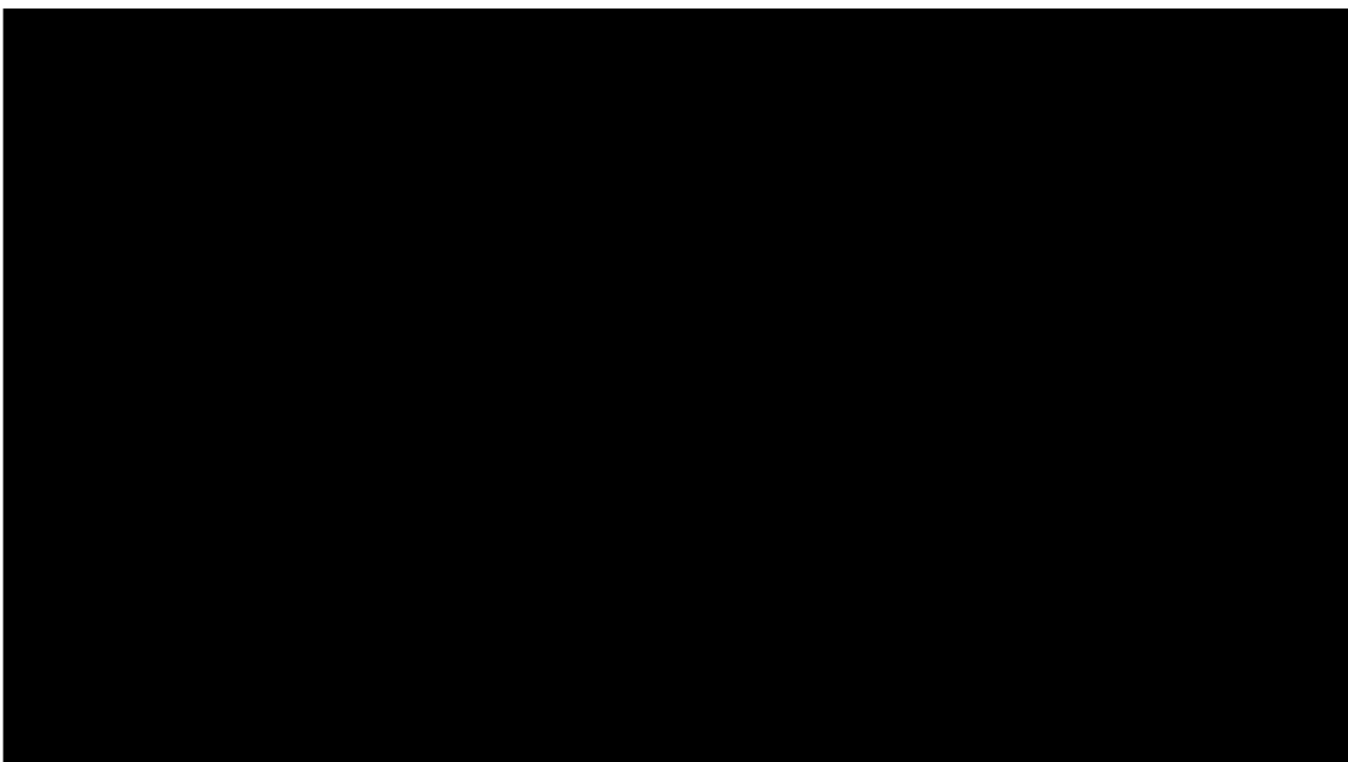
4.3. Evaluation Team Profile

RFA

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

Table 4.3 details SoCalGas' POS Food Service proposal evaluators and the areas they scored.



A single training session for both groups of SoCalGas' statewide evaluators was held on March 13, 2020. The training reinforced the team's evaluation experience and emphasized the use of the Scorecard Tool. SoCalGas emphasized that the evaluations should be completed individually and there should be no discussions among the evaluators regarding the proposals or scores.

SoCalGas provided its evaluators with a "Scoring Team Guidance" document that provided an overview of the RFA and RFP scoring processes and explained the scorecard tool used in the evaluation of bidder abstracts and proposals. This document was a very effective training and reference tool and should be considered a Best Practice by the IOUs.

4.4. Response to PRG and IE Advice

RFA

This solicitation activity was addressed in the November 2019 Semi Annual Report.

RFP

The IE and PRG together made 26 recommendations for improving the POS Food Service Scoring Criteria. Of those, SoCalGas accepted and implemented, at least partially, 20 (77%). One (3%) was considered, but not accepted. The other five (19%) were comments or questions, rather than recommendations for change, so no action was requested or taken. Examples of the IE's and PRG's recommendations include:

- Order the questions in the Scorecard and Scorecard Criteria so they follow the order of the proposal sections.

- A bidder should not be penalized if they correctly claim that a contractor's license is not necessary for this solicitation. Include the possibility of the bidder having no license but providing the necessary Conflict of Interest and financial info.

- [REDACTED]

The only recommendation SoCalGas did not accept was the first example above: recommending that the Scorecard be rearranged. SoCalGas wanted to leave the order as is, because it facilitated calibration meeting discussions, with which the IE agreed.

5. Final Bid Selection Assessment

5.1. Conformance with Established Evaluation Processes

RFA

This solicitation activity was addressed in the April 2020 Semi Annual Report.

RFP

As reported in Section 4.1, [REDACTED] were invited to submit a proposal in the RFP stage, and all [REDACTED] submitted responses. However, [REDACTED] document for one of the required documents. SoCalGas' policy as stated in the RFP and several supporting documents is to disqualify a bidder for failing to submit a mandatory document.

5.2. Management of Deficient Bids

SoCalGas found no non-conforming bids during the RFA stage. In the RFP stage, one proposal was deemed non-conforming and disqualified, as reported in detail in Section 4.1.

5.3. Shortlist and Final Selections

Portfolio Fit

As described in Section 4.1, [REDACTED] The Program's gas savings are 96% of SoCalGas' solicitation goal, but the electric savings are just 17% of the solicitation goal. SoCalGas set its [REDACTED] or 61% of SoCalGas' maximum.

Table 5.3 summarizes some of the characteristics of the [REDACTED]



5.4. Affiliate Bids and Conflict of Interest

This solicitation activity was addressed in the April 2020 Semi Annual Report.

6. Assessment of Selected Bids

6.1. Bid Selections Respond to Portfolio Needs

Both shortlisted bidders' proposals conformed to SoCalGas' solicitation needs as stated in the solicitation documentation and goals outlined in the SoCalGas' January 2017 EE business plan. The POS Food Service Program goals as expressed in SoCalGas' Business Plan include:

- Increase the sales of high-efficiency commercial foodservice equipment by engaging midstream market actors to stock and actively market high-efficiency equipment.
- Utilize the market to achieve more profound energy savings, aligning with the program goal to incentivize the sale of high-efficiency foodservice equipment by engaging mid-stream market actors.

6.2. Bid Selections Provide the Best Overall Value to Ratepayers

c. Introduction

[REDACTED] o make its final decision, SoCalGas considered all aspects of the Bidders' submittals. In addition to program economics and impacts, SoCalGas' evaluators looked at more difficult to assess qualities, such as program innovation, the ability and plan for engaging the necessary market actors, and whether the program addressed the State's policy initiatives. The IE is satisfied with the process taken by SoCalGas in selecting the [REDACTED] and feels that the Program, in addition to being consistent with the goals stated in SoCalGas' Business Plan, provides the best overall value to ratepayer.

d. Brief Program Description

[REDACTED]

e. Quantitative Program Information

Table 6.2 compares the attributes of the [REDACTED]
[REDACTED]

[REDACTED]

f. Measurement and Verification

[REDACTED]

Program in conjunction with its development of the Program Implementation Plan. SoCalGas did not request Bidders to provide a preliminary M&V Plan or describe specific details about M&V approaches they might use.

g. Compensation

[REDACTED]

[REDACTED]

h. Supports Portfolio and Applicable Sector Metrics Achievements

The Program’s Key Performance Indicators (KPIs) align well with SoCalGas’ portfolio and sector metrics. The Program’s KPIs will be the primary means of assessing the Program’s performance on an ongoing basis with tracking of some KPIs monthly. [REDACTED] should report a KPI with a score of 1 (“below expectations”) or below (on a scale of 0 to 4, with “0” being “unsatisfactory”) for three consecutive months, SoCalGas may take Standard Corrective Actions, up to and including closing the Program.

7. Reasonableness of Contracting Process

SoCalGas finalized negotiations [REDACTED] of all draft final contract documents was completed by both parties. SoCalGas plans to execute the final agreement with [REDACTED] to meet compliance requirements with an anticipated contract effective date of February 2021 for a duration of three years. [REDACTED]

7.1. Collaboration on Final Program Design and Scope

From start to finish, the contract negotiations between SoCalGas and [REDACTED] cooperative, positive, and open. The two parties held on-going weekly negotiation meetings, so progress was being made continuously, albeit slow initially. Later, as it became evident that the deadline was approaching, the pace of negotiations accelerated.

In the last weeks of negotiations, several new issues arose that needed to be dealt with quickly, due to the imminent contract finalization date, including:

- [REDACTED]
- [REDACTED]
- [REDACTED]

7.2. Fairness of Negotiations

Overall, the IE observed nothing during the negotiation process to indicate that the negotiations were anything other than fair and transparent. Both parties worked cooperatively and diligently to settle the few differences that arose, which resulted in the negotiations being completed in 107 days.

The only “issue” was the collection of serial numbers on equipment sold through the Program. SoCalGas wanted [REDACTED] of measures sold through the Program as a safeguard against double-dipping. [REDACTED]

7.3. Changes to Contract Terms & Conditions

[REDACTED] provided redlines to the CPUC’s modifiable terms and conditions, as follows:

- Eliminated sections that were not applicable to food service;
- Added language to KPI section (B2) that allows agreement to be extended if contractor meets or exceeds KPI expectations during term of agreement;
- Added contractor requirement to M&V section (F) for Normalized Metered Energy Consumption (NMEC) research plan; and

- [REDACTED]

7.4. Conformance with CPUC Policies and Objectives

[REDACTED] equipment dealers, manufacturers, contractors, distributors who make sales directly to end use customers. [REDACTED]

[REDACTED] in Decision 18-05-041 and designed the Program’s incentives utilizing those guidelines, including:

- Offering tiered incentives to promote increasing degrees of efficiency.
- Incentives strategically targeted at commercially available products that offer higher and highest degrees of efficiency and quality.
- Incentive structure should take into consideration the variation in barriers to efficiency upgrades faced by different customer segments.

The Program does not include NMEC savings, but the contract states [REDACTED]

To address the key challenges for national market actors, chain customers, and special-order equipment, the Program offers several “delivery approach” innovations that will increase participation beyond the strategies currently utilized by California POS programs:

- **Zip-Code Validation Tool** – Dealers will get a simple zip-code lookup tool to determine customer eligibility.
- **Market Actor Single Point-of-Contact (SPOC)** – To address the barriers of national market actors, [REDACTED]
- **AutoQuotes Partnership** – AutoQuotes, used by dealers to configure, price, and quote equipment sales for their customers, will inform users when they have selected an equipment model that is eligible for a rebate in California.

- **New Incentive and Financing Options** – The Program includes a group of new incentives to promote engagement with design/build dealers and special-order sales.
- **Leased Dish Machines** – Create work papers for leased dish machines will enable the Program to influence these markets that have been previously ineligible due to the dominance of leasing.

The contract for the Program is on track for execution by the CPUC's deadline.

7.5. Uniformity of Contract Changes

SoCalGas negotiated [REDACTED]

Energy Efficiency Independent Evaluators' Semi-Annual
Report on the

Statewide Midstream Water Heating Solicitation

Reporting Period: April 2020 through September 2020

Prepared by:
MCR Corporate Services



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Statewide Midstream Water Heating Program

1. Solicitation Overview

1.1. Overview

Southern California Gas Company (SoCalGas or the Company) is the statewide lead program administrator responsible for the Statewide Midstream Water Heating program.¹⁰⁹ 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 the Statewide Point-of-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 conferences, due dates, etc.

Scope

SoCalGas manages a large portfolio of customer-focused energy efficiency (EE) programs and utilizes third-party program implementers to serve residential and non-residential customers within its service territory. The Midstream Water Heating solicitation provided an opportunity for third parties to propose, design, implement, and deliver new, innovative, and cost-efficient natural gas and electric-focused resource-based energy efficiency programs to non-residential customers¹¹⁰ throughout the four investor-owned utility (IOU) service territories. Multi-family common area water heating equipment was also acceptable within this proposal.

The focus of this solicitation was to encourage the introduction of 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 was designed to effectively promote energy efficiency 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.

This solicitation was based on the vision and goals presented in the approved SoCalGas Business Plan,¹¹¹ which seeks to increase the sale of higher efficiency water heaters into the non-residential market by leveraging the distributor and contractor communities.

¹⁰⁹ In Decision 18-05-041, the CPUC assigned Program Administrators to lead specific statewide programs.

¹¹⁰ For this RFP, the term "customer" will be defined as, but is not limited to, an end-use utility customer, contractor or any other entity positioned between the end-use customer and the "Distributor."

¹¹¹ SoCalGas Business Plan, p. 27.

Objectives

This solicitation encouraged 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 on a commercial rate. Although traditional programs have proven to be successful, the legislative and regulatory mandate of doubling the energy efficiency target requires more aggressive and comprehensive efficiency upgrades.

The purpose of this solicitation was to select (an) Implementer(s) to address the unique Midstream Water Heating market barriers through the implementation of innovative strategies and tactics which align with the SoCalGas approved business plan, and that of the other IOUs. Proposals have been reviewed and evaluated based on their ability to address the market needs as outlined in the approved business plans and comply with all applicable regulatory requirements for statewide programs. These strategies may include, but are not limited to:

- Simplified customer program experience
- Simplified distributor program experience
- Segment-specific solutions
- Industry partnering
- Technical assistance
- Dealer participation incentive
- Design Build component

Bidders were invited to submit proposals that addressed all, or a subset of, Midstream Water Heating distributors throughout the IOUs' service territories but included the flexibility to target specific distributors based on criteria such as specific climate zones hard-to-reach (HTR) status, and members of disadvantaged communities (DACs).¹¹²

Program Characteristics¹¹³

This solicitation sought a natural gas and electric-focused, resource program. Bidders were asked to consider the segment challenges/barriers identified in Table 1.1 in their submissions:

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 stock practices often involves risk.

¹¹² HTR and disadvantaged communities are defined in Section 7, "RFP Defined Terms", of Midstream Water Heating RFP

¹¹³ Ibid.

Midstream Water Heating Segment Energy Efficiency Barriers	Documentation of Barriers
Extensive Market Outreach and Engagement	Unlike downstream programs that typically have a single transaction 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 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 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 in 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 expected and actual Request for Abstract (RFA) and Request for Proposal (RFP) milestones for the Statewide Midstream Water Heating solicitation.¹¹⁴

Milestones	Date
RFA Stage	
RFA Launch	August 12, 2019
Optional Bidder Web Conferences	August 19 and 21, 2019
Questions Due from Bidders	August 23, 2019
Responses Provided by SoCalGas	September 4, 2019
Bidder Abstracts Due	September 27, 2019
Shortlist Notification	January 23, 2020
RFP Stage	
RFP Released	January 29, 2020
Optional Bidder Webinar	February 10, 2020
Questions Due from Bidders—Round 1	February 14, 2020
Responses Provided by SoCalGas—Round 1	February 21, 2020

¹¹⁴ Id., at p. 8.

Milestones	Date
Questions Due from Bidders—Round 2	February 26, 2020
Responses Provided by SoCalGas—Round 2	March 4, 2020
Bidder's Proposals Due	March 18, 2020
Selected Bidder(s) Notified	May 15, 2020
Contracting Stage	
Negotiations & Contracting	June 18–October 30, 2020
Contract Executed	December 2020 (Expected)
Advice Letter Filed	Pending
Contract Begins (Notice to Proceed)	Pending
Implementation Plan Uploaded to CEDARS	April 30, 2021 (Expected)
Program Launch	Pending

1.3. Key Observations

Table 1.3 summarizes Key Issues identified by the Independent Evaluator (IE), including IE recommendations and SoCalGas's response. The key issues are detailed throughout the appropriate sections of the report.

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Cost-Effectiveness Tool (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.).	This recommendation was made at the March 3, 2020, EE PRG Meeting and received favorable verbal comments from several attendees. SoCalGas agreed to consider this recommendation.

Table 1.3 Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
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Timeline	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.	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.	recommendation, SoCalGas has been clearer and more realistic about defining its solicitation timeline and keeping to it. It has also been publishing its timelines and any variations from it in the EE PRG Meeting materials.
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Table 1.3 Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
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2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

SoCalGas conducted outreach through the standard channels, [REDACTED] of the abstract due date (September 27, 2019), which was fewer than expected, but still an adequate number. SoCalGas [REDACTED]

The final RFP packages were released via PowerAdvocate on January 29, 2020. [REDACTED] did not indicate why they decided not to submit a proposal. Table 2.1 details the figures.

	Number
Abstracts Expected	[REDACTED]
Abstracts Received	[REDACTED]
Proposals Expected	[REDACTED]
Proposals Received	[REDACTED]

2.2. Bidder's Conference and Q&A

RFA

SoCalGas held a combined RFA Bidder Web Conference for the two statewide solicitations on two occasions, August 19 and 21, 2020. This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

SoCalGas held a combined RFP Bidder's Web Conference for the two statewide solicitations on February 10, 2020. This solicitation activity was addressed in the April 2020 Semi-Annual Report.

2.3. Solicitation Design Assessment

This solicitation activity was addressed in the April 2020 Semi-Annual Report.

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

3.2. RFP Design Requirements and Materials

Prior to the development of the Midstream Water Heating RFP package, SoCalGas embarked on an effort to consolidate its RFP template package. The package had grown to 29 separate documents, which was generally agreed to be too many. SoCalGas' IEs were asked to lead this effort but were initially hampered by the edict from SoCalGas' Legal Department that all 29 documents were necessary. Therefore, no documents could be eliminated.

The resulting final RFP template package contained just 16 files, which was accomplished without eliminating files or changing the contents of any files, just changing how the material was presented. SoCalGas based its Midstream Water Heating RFP package (and the simultaneous statewide POS Food Service solicitation RFP package) on the new RFP template package, which saved time, but the package still needed to be reviewed. SoCalGas' improvements to the RFP resulting from the IE's review were straightforward. SoCalGas' Midstream Water Heating RFP documents and solicitation process were well designed, struck an appropriate balance between obtaining sufficient information and not overburdening bidders, and they successfully fostered a robust evaluation process.

3.3. Response to PRG and IE Advice

RFA

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

The IE and PRG together made 37 recommendations for improving the Midstream Water Heating RFP package [REDACTED]. Of those, SoCalGas accepted and implemented, at least partially, 33 (89%). One (3%) was considered, but not accepted. The other three (8%) were comments or questions, rather than recommendations for change, so no action was requested or taken. Examples of the IE's and PRG's recommendations include:

“Provide bidder with some guidance on the type of information they should be providing (e.g., hours/customer, hours/year, High/Med/Low, etc).”

“The enhanced services section does not appear to have been customized to statewide administration.”

Overall, SoCalGas was more amenable to accepting IE and PRG recommendations than previously.

4. Bid Evaluation Methodology Assessment

4.1. Bid Screening Process

RFA

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

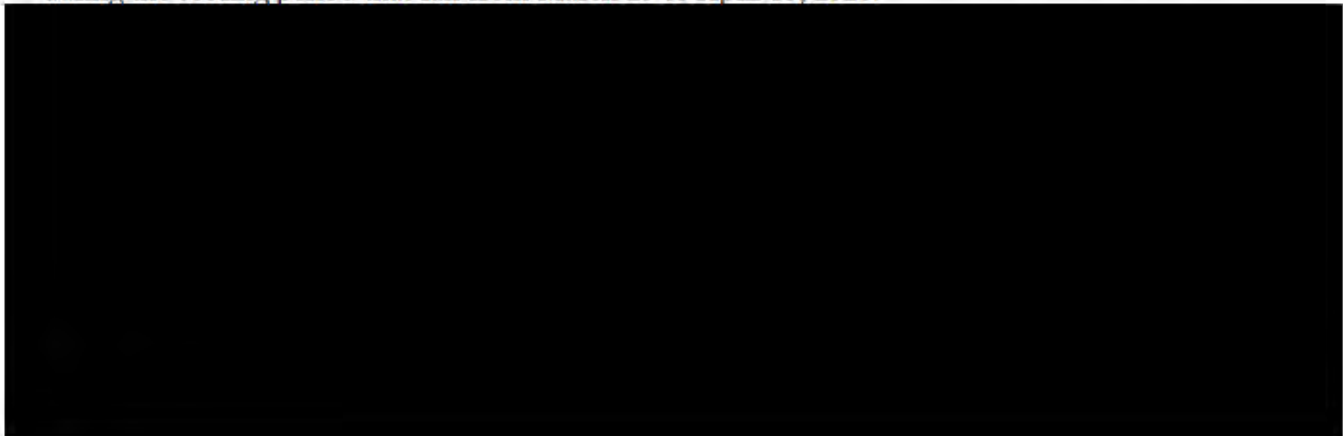


[redacted] did not submit a proposal and did not give any indication why not. [redacted] participated in the Bidder Webinar.

Like the RFA stage, SoCalGas' evaluation of bidder proposals consisted of two parts: a threshold assessment to determine the responsiveness of the proposal to minimum requirements, and proposal scoring. The proposal threshold assessment added to the abstract assessment by also assessing whether the proposal differed too much from the abstract on which it was based, in terms of:

- Program theory, expected outputs, and expected outcomes;
- Approach to targeting and enrolling customers;
- Use of upstream, midstream, or downstream delivery channels;
- Types of incentives and financing offered to participants; and
- Other features that Bidder has identified as key distinguishing features.

[redacted] and were then scored using the rubric in Table 4.1 during the scoring period that ran from March 25 to April 15, 2020.





a. Calibration Meeting



b. Shortlist and Selection Meeting

SoCalGas selected



1. There was concern over awarding two statewide programs
2. The electricity savings proposed by Energy Solutions were three times higher than those



[REDACTED]

Initially, the IE agreed with this decision, particularly because of concern over the savings represented by the measures without workpapers. However, after investigating the situation further, the IE changed its opinion and determined that [REDACTED]

[REDACTED]

4.2. Scoring Rubric Design

RFA

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

The scoring rubric for the RFP stage was detailed in Table 4.1, above. The rubric was developed as part of the RFP template consolidation effort described in Section 3.2 that involved all of SoCalGas' IEs and was reviewed by the PRG. Most of the recommendations provided by the IEs during the development of the scorecard focused on making the scorecard easier to use and improving consistency. For example, the descriptors used by evaluators to decide what score to award were sometimes not mutually exclusive or did not consider possible bidder responses.

4.3. Evaluation Team Profile

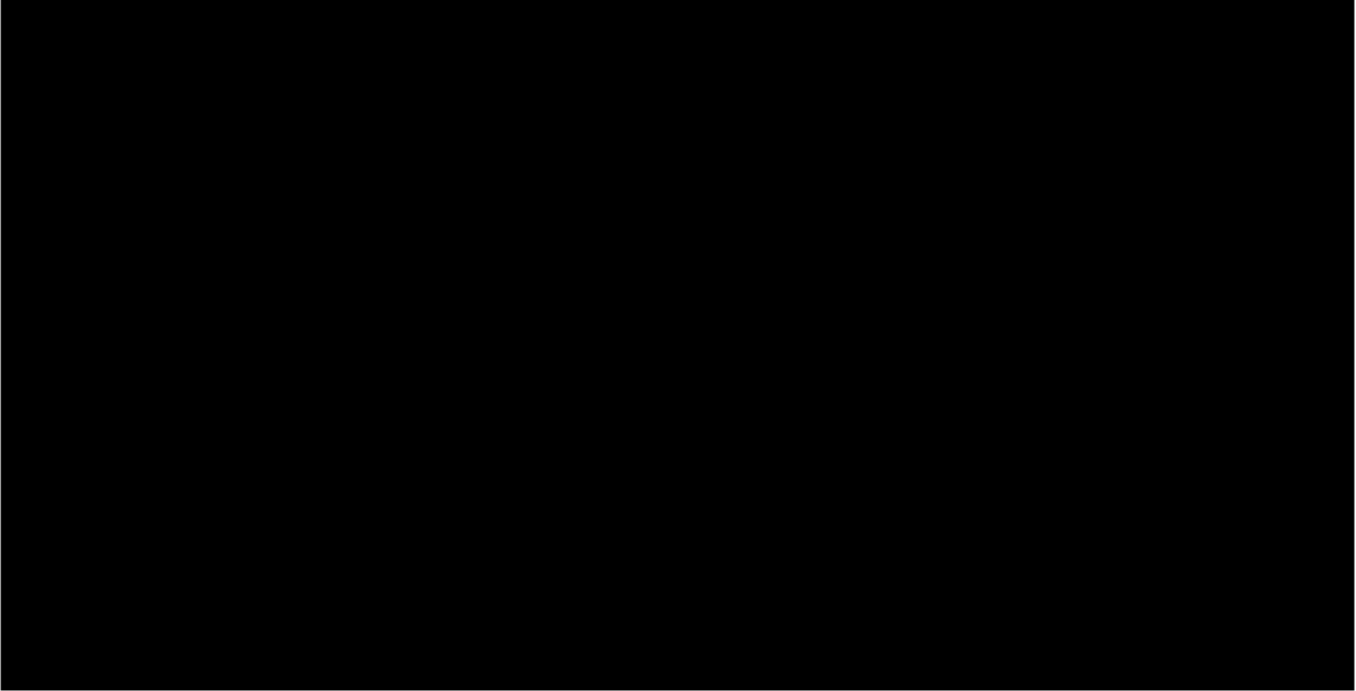
RFA

This solicitation activity was addressed in the November 2019 Semi-Annual Report.

RFP

Table 4.3 details SoCalGas' Midstream Water Heating proposal evaluators and the areas they scored.

¹¹⁵ RFP Main Doc Statewide Midstream Water Heating, Sect. 1.B, pg. 5.



A single training session for both groups of SoCalGas' statewide evaluators was held on March 13, 2020. The training reinforced the team's evaluation experience and emphasized the use of the Scorecard Tool. SoCalGas emphasized that the evaluations should be completed individually and there should be no discussions among the evaluators regarding the proposals or scores.

SoCalGas provided its evaluators with a "Scoring Team Guidance" document that provided an overview of the RFA and RFP scoring processes and explained the scorecard tool used in the evaluation of bidder abstracts and proposals. This document was a very effective training and reference tool and should be considered a Best Practice by the IOUs.

4.4. Response to PRG and IE Advice

RFA

This solicitation activity was addressed in the November 2019 Semi Annual Report.

RFP

The IE and PRG together made 26 recommendations for improving the Midstream Water Heating Scoring Criteria. Of those, SoCalGas accepted and implemented, at least partially, 20 recommendations (77%). One recommendation (3%) was considered, but not accepted. The other five recommendations (19%) were comments or questions, rather than recommendations for change, so no action was requested or taken. Examples of the IE's and PRG's recommendations include:

- "Order the questions in the Scorecard and Scorecard Criteria so they follow the order of the proposal sections."



The only recommendation SoCalGas did not accept was the first example above: recommending that the Scorecard be rearranged. SoCalGas wanted to leave the order as-is, because it facilitated calibration meeting discussions, which the IE agreed with.

5. Final Bid Selection Assessment

5.1. Conformance with Established Evaluation Processes

RFA

This solicitation activity was addressed in the April 2020 Semi Annual Report.

RFP

As reported in Section 4.1, [REDACTED] from the RFA stage to the RFP stage. [REDACTED]

5.2. Management of Deficient Bids

SoCalGas found no non-conforming bids during the RFA stage.

SoCalGas' Supply Management found no issues with any of [REDACTED] responding bidders submitted documents on time and returned CET input and output files with 2020 avoided costs. None [REDACTED] proposed ineligible programs or measures.

5.3. Shortlist and Final Selections

a. Portfolio Fit



[REDACTED]

Customer Segments	[REDACTED]
Delivery Type	[REDACTED]
Geographic Area Served	Statewide: CZ 1-16
Hard-to-Reach Goal	[REDACTED]
Disadvantaged Communities Goal	[REDACTED]
Total Program Budget (\$)	[REDACTED]
Total Energy Savings (Therms)	[REDACTED]
Total Energy Savings (kWh)	[REDACTED]
Savings Calculation Method	[REDACTED]

5.4. Affiliate Bids and Conflict of Interest

This solicitation activity was addressed in the April 2020 Semi Annual Report.

6. Assessment of Selected Bids

6.1. Bid Selections Respond to Portfolio Needs

[REDACTED] conformed to SoCalGas' solicitation needs as stated in the solicitation documentation and goals outlined in the SoCalGas' January 2017 EE business plan. The Midstream Water Heating Program goals as expressed in SoCalGas' Business Plan include:

- Push higher efficiency water heaters into the non-residential market by leveraging the distributor and contractor communities.
- Streamline the rebate process and target customers when they are looking at purchasing equipment.

6.2. Bid Selections Provide the Best Overall Value to Ratepayers

a. Introduction

SoCalGas selected [REDACTED]

[REDACTED] To make its final decision, SoCalGas considered all aspects of the Bidders' submittals. In addition to program economics and impacts, SoCalGas' evaluators looked at more difficult to assess qualities, such as program innovation, the ability and plan for engaging the necessary market actors, and whether the program addressed the State's policy initiatives and overall risk.

As stated in Section 4.1, the IE feels that the two top bidders' programs were essentially equal and recommended interviews to break the tie. [REDACTED]

b. Brief Program Description

By offering point-of-sale discounts on energy-saving products, [REDACTED] With program delivery focused on the distributor, [REDACTED] to act as EE educators, with the advantage of providing one-on-one counsel and advice during the purchase process.

c. Quantitative Program Information

Table 6.2 compares the attributes of the [REDACTED]

Table 6.2: Summary Contract Comparisons	
Budget	
Administration	[REDACTED]
Marketing & Outreach	[REDACTED]
Direct Implementation – Non-Incentive	[REDACTED]
Direct Implementation – Incentive	[REDACTED]
Total Program Budget	[REDACTED]
Savings Goals (3-Year Net)	
Therms	[REDACTED]
kWh	[REDACTED]
kW	[REDACTED]
Compensation Type	
Time & Materials	[REDACTED]
Fixed Unit Pricing	[REDACTED]
Fixed Fee Deliverable	[REDACTED]
Incentives	[REDACTED]
Cost-Effectiveness	
TRC	[REDACTED]
PAC	[REDACTED]
\$/therm (net)	[REDACTED]
\$/kWh (net)	[REDACTED]

d. Measurement and Verification

[REDACTED] conjunction with its development of the Program Implementation Plan. SoCalGas did not request Bidders to provide a preliminary M&V Plan or describe specific details about M&V approaches they might use.

e. Compensation

[REDACTED]

f. Supports Portfolio and Applicable Sector Metrics Achievements

The Program's Key Performance Indicators (KPIs) align well with SoCalGas' portfolio and sector metrics. The Program's KPIs will be the primary means of assessing the Program's performance on an ongoing basis with tracking of some KPIs monthly. There are several KPIs that if they do not meet certain standards, will trigger certain Standard Corrective Actions by SoCalGas, up to and including closing the Program. [REDACTED] that either its net them or kWh savings KPI with a score of 1 ("below expectations") or below (on a scale of 0 to 4, with "0" being "unsatisfactory") for three consecutive months, SoCalGas may take Standard Corrective Actions.

7. Reasonableness of Contracting Process

SoCalGas finalized negotiations [REDACTED] to meet compliance requirements with an anticipated contract effective date of February 2021 for a duration of three years. Anticipated launch date for the [REDACTED] is April 1, 2021.

7.1. Collaboration on Final Program Design and Scope

From start to finish, the contract negotiations between SoCalGas and [REDACTED] were cooperative, positive, and open. The two parties held on-going weekly negotiation meetings, so progress was being made continuously, albeit slow initially. Later, as it became evident that the deadline was approaching, the pace of negotiations accelerated.

In the last weeks of negotiations, several new issues arose that needed to be dealt with quickly, due to the imminent contract finalization date, including:

- [REDACTED]
- [REDACTED]

7.2. Fairness of Negotiations

Overall, the IE observed nothing during the negotiation process to indicate that the negotiations were anything other than fair and transparent. Both parties worked cooperatively and diligently to settle the few differences that arose, which resulted in the negotiations being completed in 106 days.

[REDACTED] staff to put in many extra hours of collaboration to modify the Program and contract. Eventually, DNV GL was able to keep the total budget nearly the same as proposed, but at the cost of making considerable modifications to budget allocations and many repeated revisions to the Program's measure list to

salvage the Program's cost-effectiveness.

7.3. Changes to Contract Terms & Conditions

██████████ CPUC's modifiable terms and conditions that modified language in the "Implementer's Pre-Existing Materials" section (H2c).

7.4. Conformance with CPUC Policies and Objectives

The ██████████ will pay distributors for providing customers with POS discounts for the purchase of EE gas and electric water heating equipment. ██████████

Implementors" from Decision 18-05-041.

██████████ Normalized Metered Energy Consumption (NMEC) savings in the Statewide Midstream Water Heating Program.

██████████ some novel features that make the Statewide Commercial Midstream Water Heater Program innovative, including:

- **Grid-Integrated Water Heaters (GIWH)** – The Program will help California's commercial customers deploy the next generation of efficient GIWH that have native demand response interfaces.
- **Marketing Stipends** – Each distributor that enrolls in the Program will receive a Marketing Stipend of \$250 and, when they achieve performance tiers based on sales or kWh/therms, they receive additional Marketing Stipends to offset the cost of marketing the program to their customers. Each distributor can earn up to \$1,750 in Marketing Stipend per year.
- **Midstream Web Tool** – The Midstream Tool allows distributors to submit their transaction reports, track the application review process through to payment, and produce reports on their customers' activity.

7.5. Uniformity of Contract Changes

SoCalGas negotiated only with ██████████ for this solicitation.

Energy Efficiency Independent Evaluators' Semi-Annual
Report on the
Statewide Gas Emerging Technologies Solicitation
Reporting Period: April 2020 through September 2020

Prepared by:
Don Arambula Consulting



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Statewide Gas Emerging Technologies Program

1. Solicitation Overview

This Report on the Statewide Gas Emerging Technologies (GET) program solicitation covers the period from April 2020 through September 2020. As a result, much of the Report addresses the Request for Proposal (RFP) stage of the Southern California Gas Company (SoCalGas or the Company) program solicitation. Prior solicitation activity is addressed in the December 2019 and June 2020 Semi-Annual Reports.¹¹⁶

1.1. Overview

The Statewide GET Program is a cross-cutting, non-resource program designed to help California investor-owned utility (IOU)-funded energy efficiency (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.

Scope

SoCalGas, on behalf of PG&E, SDG&E, and itself, is seeking 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).¹¹⁷

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

¹¹⁶ See Semi-Annual Independent Evaluator Report, Southern California Gas Company, dated December 2019 and June 2020 at caeccc.org.

¹¹⁷ See Emerging Technologies sector presentations within the IOUs' EE Business Plans. <https://www.caeccc.org/business-plans-1>

Programs for adoption in upcoming codes and standards) as appropriate for inclusion in California EE program portfolios.^{118,119}

- 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.¹²⁰
- 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 California Public Utilities Commission’s Energy Division on program scope and approach. Ultimately, the GET Request for Abstracts (RFA) was released on February 12, 2020.¹²¹ The RFP was scheduled for release in July 2020 but was delayed in August 2020 due to extended discussions among the IOU and the Procurement Review Group (PRG) and the Independent Evaluator (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.

Milestones	Completion Date
RFA	
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

¹¹⁸ 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.”

¹¹⁹ 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.”

¹²⁰ 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.”

¹²¹ 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 caeecc.org.

Table 1.2: Key Milestones	
Milestones	Completion Date
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 (est.)
Shortlist Meetings Held	November 2020 (est.)
Shortlist Presented to PRG	December 2020 (est.)
Contracting & Implementation	
Selected Bidder(s) Notified	December 2020 (est.)
Contracts Presented to PRG	2Q 2021 (est.)
Contract Executed	2Q 2021 (est.)
Advice Letter Filed	2Q 2021 (est.)
Contract Begins (Notice to Proceed)	3Q 2021 (est.)
Implementation Plan Uploaded to CEDARS	3Q 2021 (est.)
Program Launch	3Q 2021 (est.)

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 result, there are no significant observations for this reporting period.

2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

The solicitation outreach relied on a general awareness of the SoCalGas' program solicitations to the bidder community through several announcements and IOU-specific workshops regarding SoCalGas' upcoming EE program solicitations. SoCalGas also posted general information on its third-party solicitation webpage and the California Energy Efficiency Coordinating Committee (CAEECC) website. Overall, the solicitation outreach was adequate, [REDACTED] interested in the initial RFA. Table 2.1 summarizes SoCalGas' actual response to the local program solicitation.

Table 2.1: Solicitation Response	
	Number
Abstracts Expected	[REDACTED]
Abstracts Received	[REDACTED]
[REDACTED]	[REDACTED]
Proposals Expected	[REDACTED]
Proposals Received	[REDACTED]

Table 2.1: Solicitation Response	
	Number

██████████ because the abstracts proposed resource-type programs which made the bids ineligible. There were no disqualifications of the proposals received in response to the RFP.

2.2. Bidder's Conference and Q&A

SoCalGas held a RFA Bidders' Conference on September 4, 2019, and an RFP Bidders' Conference on August 28, 2020. Participants had ample time during the conference to ask questions. Bidders were also provided an opportunity after the Bidders' Conferences to provide written questions. In response to the RFA, SoCalGas received a total of 18 questions covering an array of topics, including GET metrics, diverse business enterprise definition, eligible program activities, public utilities involvement, resource program definition, and eligibility for market transformation administration. In response to the RFP, SoCalGas received a total of 13 questions regarding the schedule, subcontractors, marketing, Community Choice Aggregator eligibility, pay-for-performance compensation, IOU administrative costs and gas and electric ET project coordination.

2.3. Solicitation Design Assessment

The solicitation design met SoCalGas' intended need to procure a statewide GET program targeted at gas EE measures that support the Program Administrators' entire EE program portfolio.

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

Both the RFA and RFP requirements were adequate to provide SoCalGas sufficient information on the bidders' submissions. The RFA requirements limited bidders to nine questions regarding their program abstracts. The RFP limited questions to 17. This was a significant improvement over previous solicitation. The limited number of questions helped SoCalGas more efficiently review abstracts while clearly identifying the stronger program designs and teams.

Both the RFA and RFP requirements specified, the bidders were limited to specific word counts for each bidder question. In the RFA, word counts for program design-related questions could have been increased as bidders could not fully detail out their response. However, enough information was provided to clearly identify those bids which should be invited to the RFP stage.

3.2. RFP Design Requirements and Materials

Addressed in the section above.

3.3. Response to PRG and IE Advice

SoCalGas provided the opportunity for both the PRG and the IE to review and comment on the RFA and the proposed bid evaluation methodology including the detailed scorecard. The exchange between the IOU and the PRG (i.e., ED's assigned subject matter expert, or SME) took several

months and focused primarily on the RFA scope of work and related scoring criteria. The RFP development also had significant exchanges between the IOU, the ED SME, and the IE regarding RFP questions and scoring weights. SoCalGas accepted all final PRG and IE comments on the RFA and RFP design.

4. Bid Evaluation Methodology Assessment

4.1. Bid Screening Process

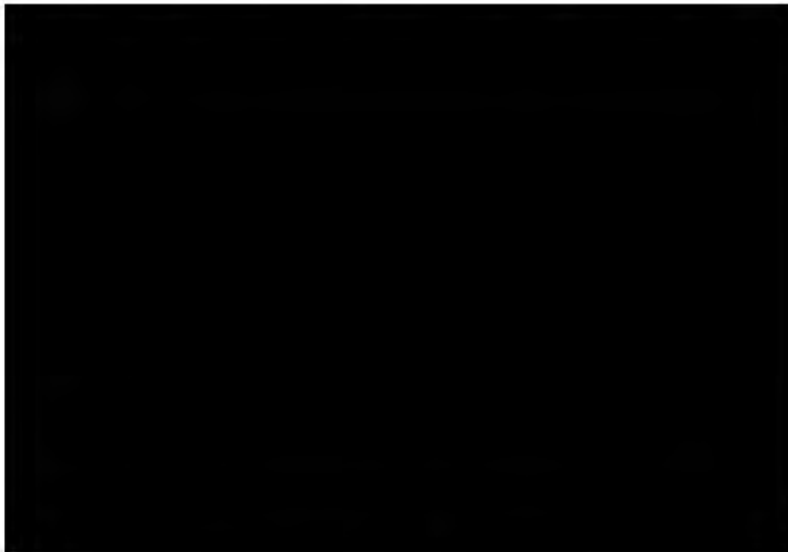
For both the RFA and the RFP, SoCalGas conducted a bid screening process which consisted of two threshold reviews: minimum requirements (timeliness and completeness of submissions) and eligibility. The minimum requirement screening was conducted by SoCalGas' Supply Management group and the eligibility review was conducted by the IOU's program lead.

For the RFA, all



4.2. Scoring Rubric Design

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

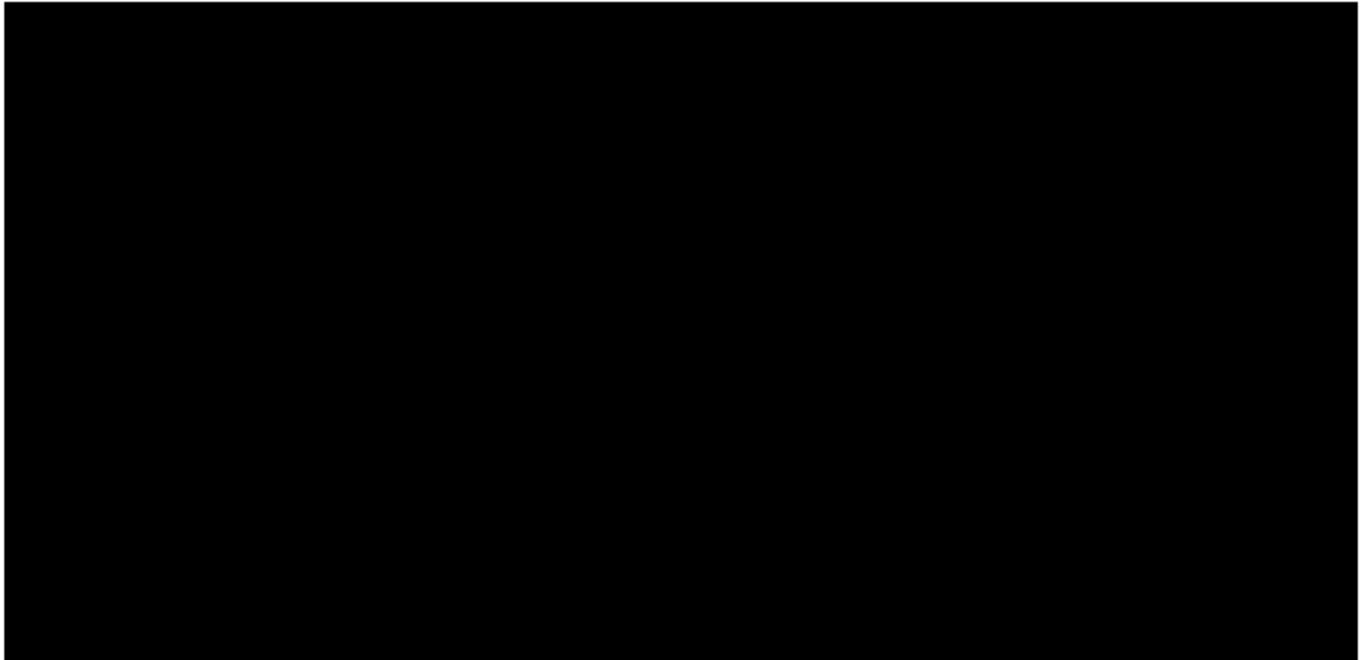


4.3. Evaluation Team Profile

SoCalGas held group training sessions for the scoring team prior to evaluating the submissions. The training sessions included an overview of the RFA or RFP, conformance with SoCalGas' code of conduct, scoring criteria, IE and PRG roles, and scorecard.

Training included a detailed review of the scorecards and how to apply it in the evaluation of the proposals. SoCalGas did not perform a mock exercise of the scorecard due to the amount of effort and time it takes to create an exercise plan and the lack of viable examples to apply to such training. SoCalGas detailed review of the scorecard and guidelines during the training sessions adequately substituted for a mock exercise.

The tables below present SoCalGas' evaluation team roster during the solicitation.



4.4. Response to PRG and IE Advice

SoCalGas received and accepted all PRG and IE comments on the proposed evaluation methodology for both the RFA and RFP stages.

5. Final Bid Selection Assessment

5.1. Conformance with Established Evaluation Processes

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

5.2. Management of Deficient Bids

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

5.3. Shortlist and Final Selections

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

5.4. Affiliate Bids and Conflict of Interest

The CPUC, in Decision 05-01-055, prohibits any transaction between a California IOU and any program implementer for EE that is a California affiliate of an IOU. SoCalGas required all bidders to acknowledge that they are not an affiliate of any IOU. There was no instance where a California

IOU affiliate participated as a bidder in the solicitation.

Additionally, as part of SoCalGas's evaluation team instructions, SoCalGas directed each team member to identify any potential conflict of interests with participating bidders. None were identified as part of this solicitation.

6. Assessment of Selected Bids

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

7. Reasonableness of Contracting Process

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 Residential Manufactured Homes Solicitation
Reporting Period: April 2020 through September 2020

Prepared by:
Apex Analytics, LLC



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Local Residential Manufactured Homes Program

1. Solicitation Overview

This Report covers the activities associated with the Local Residential Manufactured Homes (Manufactured Homes) solicitation for the period from April 2020 through September 2020. During this period, Southern California Gas Company (SoCalGas or the Company) completed review, scoring, and shortlisting of Requests for Abstracts (RFAs) and Requests for Proposals (RFPs). During this period, the Independent Evaluator (IE) was involved in monitoring a variety of solicitation-specific activities, such as reviewing the RFP package, participating in the RFP Bidder's Conference, review of Q & A responses, Cost-Effectiveness Training (CET) materials and emails and shadow-scored bids as well as attended calibration and shortlist meetings for RFP selection.

1.1. Overview

The purpose of the Manufactured Homes solicitation is to invite the energy efficiency (EE) industry to collaborate with SoCalGas in developing a resource-based, innovative, and comprehensive EE program(s) for the residential manufactured home market in SoCalGas' service territory.¹²² Most of SoCalGas' manufactured home customers reside in master-meter mobile home parks, which makes it difficult to qualify for other rebate programs due to split-incentive issues between owners, tenants, and the homeowner's association. This solicitation seeks innovative, resource-based programs that can overcome these barriers and increase customer participation in EE.

Scope

The program scope includes all relevant delivery channels and all existing residential manufactured homes customers throughout SoCalGas' service territory. SoCalGas serves more than 1,200 mobile home parks that used more than 34 million therms in 2018. The solicitation requests delivery of simple/low-cost EE retrofits, customer copays for more comprehensive upgrades, and financing options, while encouraging other innovative delivery approaches. 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. The solicitation encourages comprehensive tactics which may include but are 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);
- 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 encourages 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.

¹²² See SoCalGas Business Plan, pp. 61-65 & p. 121, available at [SoCalGas Business Plan](#).

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 metrics¹²³ 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.¹²⁴

1.2. Timing

In November 2018, SoCalGas released an RFA (original RFA) for Manufactured Homes. As described in the June 2019 Semi-Annual Report and pursuant to Procurement Review Group (PRG) feedback, in April 2019 SoCalGas withdrew the RFA for the manufactured home solicitation due to low bidder participation. The RFA was reissued in February 2020, followed by RFA bid selection and shortlist in May and June. The RFP was released in June 2020, and the RFP scoring and selection occurred in August and September 2020. Program launch is expected in the second quarter of 2021, per Table 1.2 below.

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 SoCalGas	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 21, 2020
Shortlist Presented to PRG	June 6, 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
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
Shortlist Meetings Held	September 14, 2020
Shortlist Presented to PRG	October 6, 2020
Contracting & Implementation	
Selected Bidder(s) Notified	October 14, 2020

¹²³ SoCalGas Portfolio and Sector-Level Metrics Compliance Filing, pp.57-61, available at [SoCalGas Portfolio and Sector-Level Metrics](#).

¹²⁴ Decision 18-05-041, Conclusion of Law 27, available at [CPUC Decision 18-05-041](#).

Table 1.2: Key Milestones	
Milestones	Completion Date
Contracts Presented to PRG	
Contract Executed	Q4 2020 (est.)
Advice Letter Filed	TBD
Contract Begins (Notice to Proceed)	TBD
Implementation Plan Uploaded to CEDARS	TBD
Program Launch	TBD

1.3. Key Observations

Table 1.3 outlines key issues and observations for the Manufactured Homes RFA for the April 2020 through September 2020 period. Overall, we find that 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 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
RFA			
Bidder Responses	[REDACTED]		
[REDACTED]			
[REDACTED]			

Table 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
RFP			
Updating bidders CET for accuracy and consistency	SoCalGas had to conduct changes to all bidders' CET files to ensure accurate measure inputs. This resulted in substantial work for the SoCalGas team and changes in scores throughout the process.	Development and use of a consistent measure list for bidders' use would reduce workload for bidders and SoCalGas engineering team. It would also improve the reliability of savings estimation and associated scoring elements including energy savings, cost-effectiveness and leveled cost.	New recommendation.
CET Output	SoCalGas engineering team developed a new useful summary of CET outputs to provide scorers with insight into underlying measures in each bid and program summary information such as cost-effectiveness, leveled cost and energy savings.	SoCalGas should continue this process and update the summaries as any changes are made to the bidders' CETs to ensure transparency and consistency of final scores.	New recommendation.

2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

Bidders were informed about solicitation opportunities through three main sources. SoCalGas used Proposal Evaluation & Proposal Management Application (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 California Energy Efficiency Coordinating Committee (CAEECC) web site.

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 2.1 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, [REDACTED]

[REDACTED] 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.

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Abstracts Expected	[REDACTED]
Abstracts Received	[REDACTED]
[REDACTED]	[REDACTED]
Proposals Invited	[REDACTED]
Proposals Received	[REDACTED]
[REDACTED]	[REDACTED]
Bidders Advanced to Contracting	[REDACTED]

2.2. 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 2.2). SoCalGas developed written responses to questions posed by bidders at during the webinar and submitted to PowerAdvocate. SoCalGas sent these responses to all potential bidders through PowerAdvocate. In both phases, the IEs 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, 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 of 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 bidders conference for the RFP package on June 23, 2020. There were [REDACTED] from the bidder community, in part because it was held at the same time as the large commercial and agriculture RFP. The conference spent considerable time explaining the format of the submission and that linked documents will 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 how to input data 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 including basics on RFP. Several (4) related to manufactured homes topic of master-metered vs central facility and how that affects program eligibility and incentives.

RFA Bidder Conference Date	February 7, 2019
Number of Questions Received	47
RFP Bidder Conference Date	June 23, 2020
Number of Questions Received	27

2.3. Solicitation Design Assessment

The solicitation design met SoCalGas’ intended portfolio need to procure a resource-based program(s) targeted at the manufactured homes sector, strategy aligned with its 2017 Business Plan¹²⁵ and the Company’s dedicated Third-Party Energy Efficiency Solicitations web site, Energy Efficiency Third Party Solicitations¹²⁶.

The solicitation recognized the issue that most of SoCalGas’ manufactured home customers reside in master meter mobile home parks which makes it difficult to qualify for other rebate programs due to split-incentive issues between owners and tenants and homeowner’s association. Therefore, the solicitation sought an innovative, resource-based program to overcome these barriers and increase customer participation in energy efficiency.

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 will assist SoCalGas in achieving portfolio and sector-level metrics¹²⁷ related to the residential single-family customer segment, which the manufactured home segment is a part of, 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 energy efficiency retrofits; requiring customer copays for comprehensive/higher-cost energy efficiency 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 Decision 18-01-004 and SoCalGas’ Solicitation Plan. The investor-owned utility (IOU) actively involved both the PRG and IE at every stage.

¹²⁵ https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF

¹²⁶ <https://www.socalgas.com/regulatory/efficiency/index.shtml>

¹²⁷ See SoCalGas Portfolio And Sector-Level Metrics Compliance Filing, pp. 57-61, available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF>.

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

The RFA design assessment was part of the prior Semi-Annual Report.

3.2. RFP Design Requirements and Materials

For the RFP stage of the Public solicitation, SoCalGas released a total of 16 documents, including the RFP main document, four attachments for the bidders to populate (three Word files and one 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. During the April 2020 to September 2020 period, the IE worked with SoCalGas in the updated approach to its RFP in multiple rounds. In general, the updated RFP is more straightforward, chronological, and streamlined. 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.

3.3. 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. The PRG did not provide specific feedback on this round of RFA and RFP designs as they were very similar to previous solicitations due to the template strategy.

4. Bid Evaluation Methodology Assessment

During both the RFA and RFP bid evaluation stages, SoCalGas performed a threshold assessment in which SoCalGas evaluated abstracts to ensure bidders provided all required information and were eligible for scoring. After attending a scoring training, the scoring team independently scored each bid following the scoring guidance reviewed by the PRG and the IE. Lastly, SoCalGas held calibration meetings among scorers and a shortlist meeting to decide on final selections.

4.1. 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:

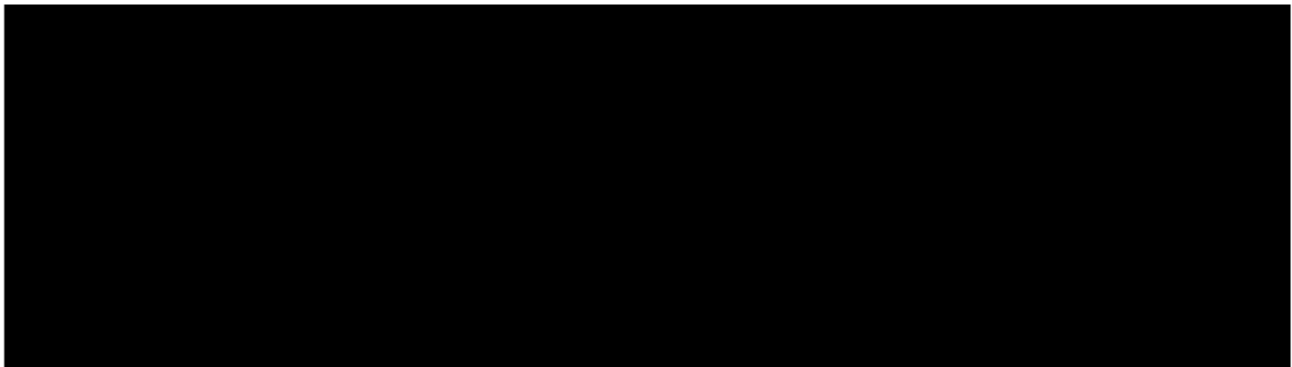
- A. On-Time Submittal Via PowerAdvocate
- B. Proposal Responsiveness (Bidder must complete and upload all mandatory documents and attachments in PowerAdvocate)
- C. Bidder and Proposed Program are eligible if bidder meets the RFP requirements and the Proposal does not include the following:
 - On-time submittal via PowerAdvocate

- Proposal responsiveness (Bidder must complete and upload all mandatory documents and attachments in PowerAdvocate)
- Compliance with the RFP requirements, confirming that the Proposal does not include the following:
 - Unproven new energy efficiency 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 a full-scale EE program;
 - Energy efficiency 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 energy efficiency programs and non-energy efficiency products or services;
 - Programs that solely promote demand response programs;
 - Non-EE programs/services and services that support other EE programs;
 - Evaluation, measurement & verification (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 (“LGP”) or Regional Energy Network (“REN”) 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.

4.2. Scoring Rubric Design




[Redacted]

[Redacted]

The categories, subcategories, and weights shown in Table 4.2b were used for scoring RFPs. The scoring rubric was designed to balance multiple factors and was generally consistent with PRG guidance.

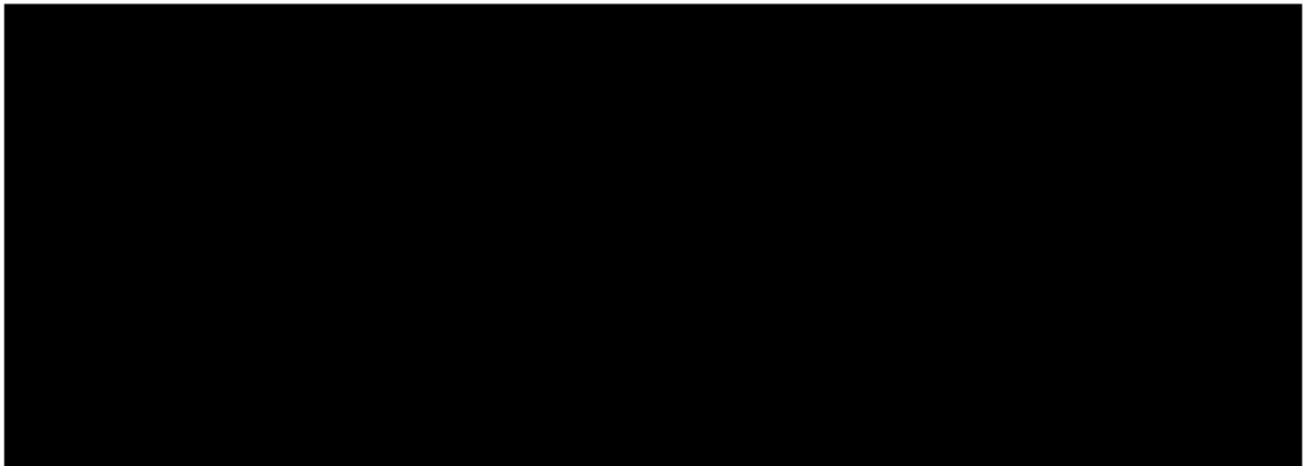
[Redacted]



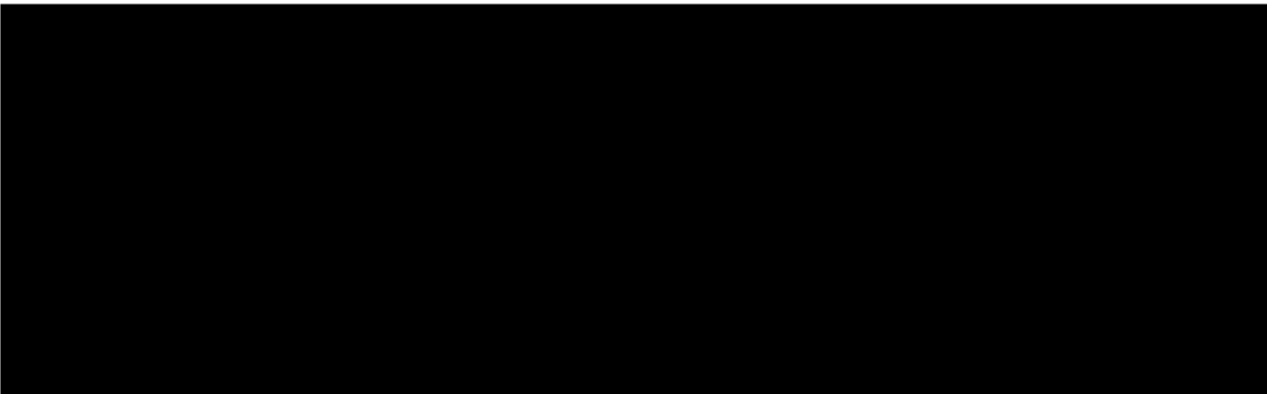
In addition to the scoring weights, an essential part of the RFA and RFP templates was the scorecard. During both phases, the IE shared feedback on the scorecard.

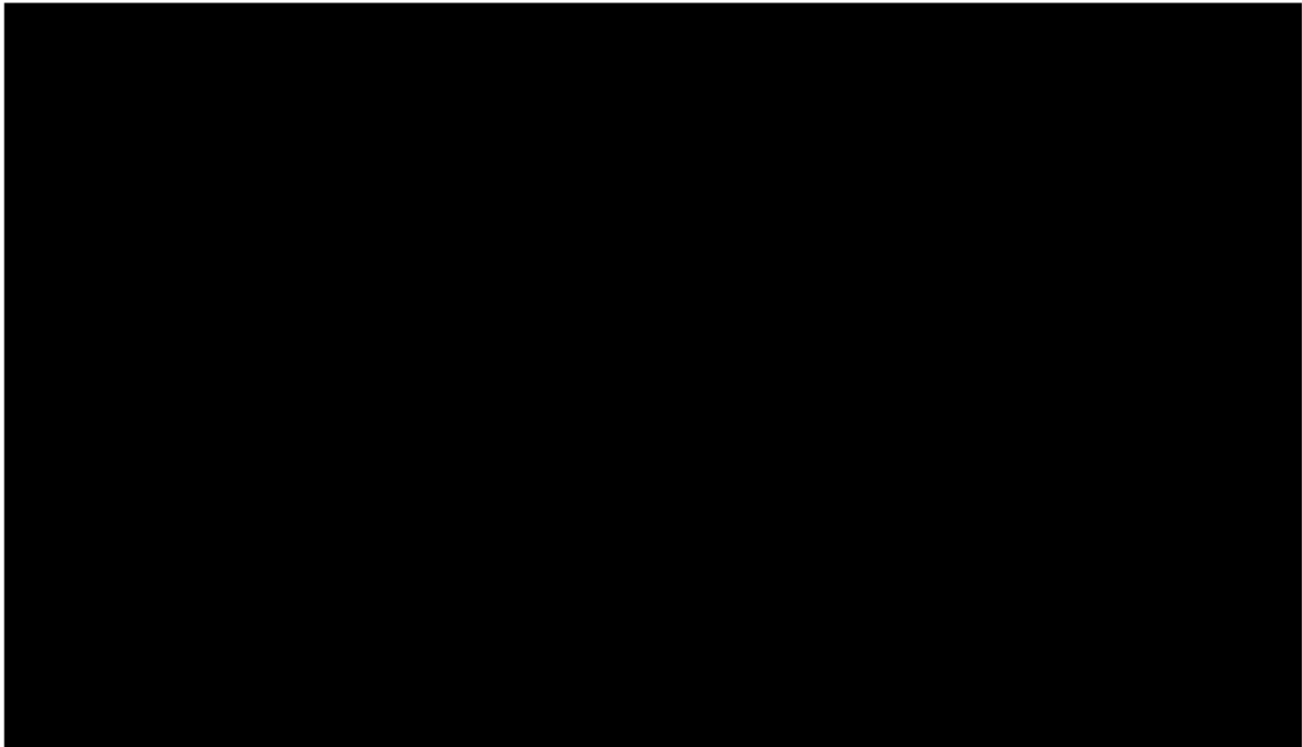
4.3. Evaluation Team Profile

For the RFA and RFP, SoCalGas maintained a consistent team of scorers, as shown in Table 4.3 below. SoCalGas conducted scorer training separately for the RFA and for the RFP, which included detailed information on the scoring rubric, weights, and FAQs. 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.



4.4. Scoring Processes





4.5. Response to PRG and IE Advice

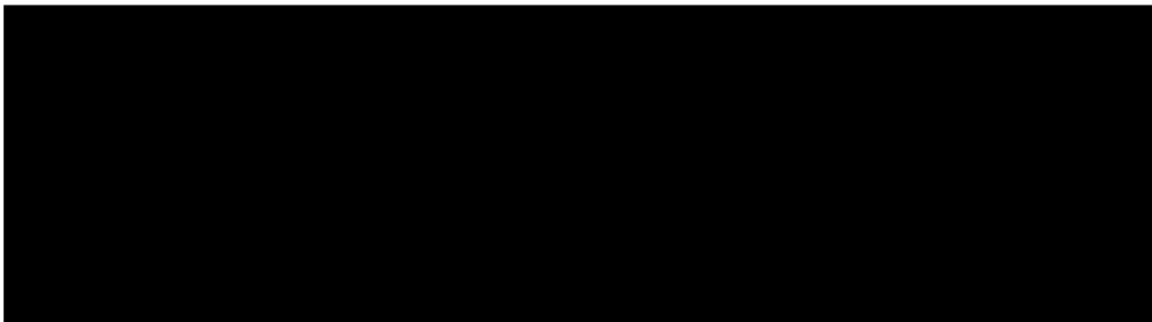
As noted above, SoCalGas integrated IE feedback throughout the process and no substantial issues raised by the IE were unresolved. The PRG did not provide specific feedback on this round of bid evaluation methodologies as they were very similar to previous solicitations due to the template strategy.

5. Final Bid Selection Assessment

5.1. 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.

-
-
-



scoring



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 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. SoCalGas was also very careful to ensure consistency in CET scoring between bidders to ensure underlying measure assumptions were aligned and therefore resulting scores of TRC, energy savings, and levelized cost were appropriate among bids. During the calibration meeting, the scorers were well prepared and engaged in effective dialog 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. Generally, the IE scored with consistent rankings but generally lower than SoCalGas, as shown on the comparison chart below.

5.2. Management of Deficient Bids

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

5.3. Shortlist and Final Selections

a. 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 third bidder has unique perspective on 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.

[REDACTED]

The IE supported this decision.

b. Portfolio Fit

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

5.4. 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 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.

6. Reasonableness of Contracting Process

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 Large Commercial Solicitation
Reporting Period: April 2020 through September 2020

Prepared by:
Don Arambula Consulting



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the 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 April 2020 through September 2020.

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 energy efficiency results for existing large and very large commercial (Large Commercial) customers.

Scope

The purpose of this solicitation is to invite the energy efficiency (EE) industry to develop a resource-based, innovative, and comprehensive EE program(s) for the Large Commercial customer group in Southern California Gas Company's (SoCalGas or the Company) service territory.¹²⁸ These Large Commercial customers account for approximately 33 percent of the commercial sector energy usage annually.¹²⁹

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 metrics¹³⁰ through a comprehensive set of program strategies and tactics.

1.2. Timing

The Large Commercial program solicitation was released as scheduled on February 21, 2020.¹³¹ Table 1.2 below presents a list of key solicitation milestones and expected completion dates relative to the Request for Abstracts (RFA) and Request for Proposals (RFP). Unless otherwise noted, all milestone dates as of this Report were met or are on schedule. It is expected that a contract(s) will be executed by mid-December 2020, about 40 weeks after the release of the RFA, which is consistent with the CPUC-recommended 39-week timing for a two-stage competitive solicitation.¹³²

¹²⁸ See SoCalGas Business Plan, pp. 109-110 (Commercial Sector Vision) & p. 121 (Commercial Sector Segmentation), available at [Business Plan](#).

¹²⁹ See SoCalGas Business Plan, p. 109 (Commercial Sector Chapter Summary), available at [Business Plan](#).

¹³⁰ See SoCalGas Portfolio And Sector-Level Metrics Compliance Filing, pp. 69-75, available at [SoCalGas Portfolio And Sector-Level Metrics](#).

¹³¹ Solicitation schedules are updated periodically by the IOUs and the current schedule can be found at [caeecc.org](#).

¹³² CPUC Letter to the IOU Regarding Energy Efficiency Third-Party Solicitation Schedule, March 11, 2020.

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 SoCalGas	March 17, 2020
Bidder Abstracts Due	April 3, 2020
Stage One Abstract Review Period Ends	June 2020
Calibration Meetings Held	May 19-20, 2020
Shortlist Meetings Held	May 26, 2020
Shortlist Presented to Procurement Review Group (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
Contracts Presented to PRG	December 2020 (est.)
Contract Executed	December 2020 (est.)
Advice Letter Filed	Q4 2020 (est.)
Contract Begins (Notice to Proceed)	Q1 2021 (est.)
Implementation Plan Uploaded to CEDARS	Q2 2021 (est.)
Program Launch	Q2 2021 (est.)

1.3. Key Observations

Table 1.3 lists the key observations made by the Independent Evaluator (IE) during the solicitation during this reporting period (April through September 2020). The IE shared these key recommendations and others with the investor-owned utility (IOU) and 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
RFA			
Timing	RFA provides 6 weeks for the bidders to respond to the RFA.	To complete the solicitation in a timely manner, this should be reduced to 4 weeks for RFA.	SoCalGas retained the 6-week period for bidder response and looked to reduce its evaluation period.
Abstract Narrative	There are a significant number of data requirements embedded in the RFA Narrative form.	Data requirements (budget, energy savings, etc.) should be presented in the RFA Workbook instead of the RFA narrative form.	SoCalGas will address this in future RFAs and RFPs.
Small Business Enterprise (SBE)	The CPUC provides a clear SBE definition for IOUs to apply during the solicitation. The Dept. of General Services (DGS) confirms SBE eligibility and assigns a unique SBE identifier to qualifying firms. SoCalGas can refer to the DGS website to confirm bidder SBE status.	The IOU should consider SBEs in the evaluation of Social Responsibility questionnaire in addition to Diverse Business Enterprises.	SoCalGas does not have a process to confirm SBE status.

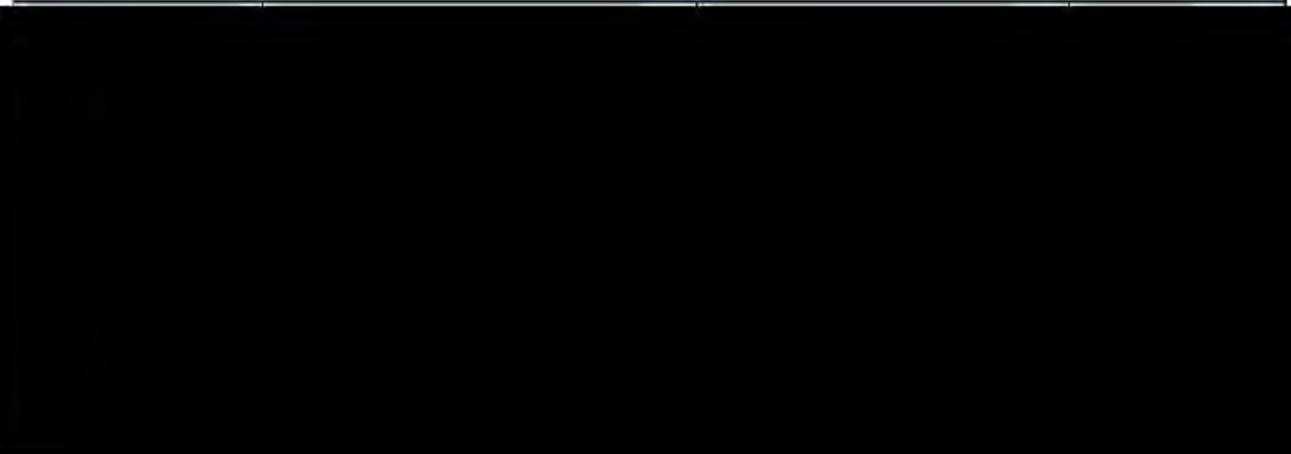


Table 1.3: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
Bid Screening	The RFA indicated that during the RFP stage that SoCalGas reserved the right to seek clarification from bidders on their RFP proposals. However, the IOU's bid screening process doesn't allow the SoCalGas to seek clarifications.	SoCalGas should seek clarifications from the bidder when the proposal includes: (1) unreadable files, (2) incomplete data files, or (3) incorrect data files (e.g., duplicate information).	The IOU position remains that it will not be seeking corrections to any Bidders proposal (except for CET), including bidder administrative errors.
[REDACTED]			
Bidder Experience	The IOU evaluation considers these examples relative to the prior program's scope/size, targeted segment, budget size, energy type and whether the program operated in California. Very few bidders' past program experience could meet all of these characteristics and there were no bidders who had three examples that met each of these program characteristics.	The IOU should consider adjusting the bidder experience criteria to allow for greater consideration of related program experience in lieu of direct program experience.	Under consideration for future solicitations.

2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

The solicitation outreach relied on a general awareness of SoCalGas' program solicitations to the bidder community through several announcements and IOU-specific workshops regarding SoCalGas' upcoming energy efficiency program solicitations. SoCalGas also posted general information onto its third-party solicitation webpage and the California Energy Efficiency Coordinating Committee (CAEECC) website. Overall, the solicitation outreach was adequate, as it generated more than [REDACTED] on SoCalGas' procurement website (i.e., PowerAdvocate) interested in the initial RFA. The table below summarizes SoCalGas' actual response to the local program solicitation.

Table 2.1: Solicitation Response	
Abstracts Expected	[REDACTED]
Abstracts Received	[REDACTED]

Table 2.1: Solicitation Response	
Proposals Expected	
Proposals Received	

2.2. Bidder's Conference and Q&A

RFA and RFP

SoCalGas held a RFA Bidders' Conference on March 3, 2020, and an RFP Bidders' Conference on June 23, 2020. For efficiency's sake, both Bidders' Conferences addressed two other program solicitations (Agricultural and Manufactured Homes). Potential Bidders had ample time during both conferences to ask questions. Bidders were also provided an opportunity after the Bidders' Conferences to provide written questions. For the RFA, SoCalGas received a total of 13 questions covering an array of topics, including diverse business enterprise definition, hard-to-reach (HTR) customer targeting, contractor's license requirements, partnering opportunities and general RFA requirements. In the RFP stage, the IOU received only two questions regarding budget limits and customer usage data availability.

2.3. Solicitation Design Assessment

The solicitation design met SoCalGas' intended need to procure a Local Large Commercial resource program targeting SoCalGas's larger commercial customers (greater than 50,000 therms).

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

The RFA requirements were adequate to provide SoCalGas sufficient information on the bidders' proposals. The RFA requirements limited bidders to 14 questions regarding their program abstracts. This was a significant improvement over previous RFA solicitations. The limited number of questions should help SoCalGas more efficiently review abstracts while clearly identifying the stronger program designs and teams.

3.2. RFP Design Requirements and Materials

The RFP requirements were adequate to provide SoCalGas sufficient information on the bidders' proposals. The RFP requirements included 33 bidder questions regarding their program proposals. This was a significant improvement over previous RFP solicitations. The IE did recommend a few improvements to the RFP materials that were considered but not accepted by the IOU, such as assigning word-count limits to individual bidder responses in lieu of page-count limits.

3.3. Response to PRG and IE Advice

SoCalGas provided the opportunity for both the PRG and IE to review and comment on the RFA and RFP materials. The PRG did not provide any specific recommendations on the solicitation materials. SoCalGas also accepted most of the IE comments on the RFA design except for

suggested RFA refinements to the required bidder response forms. SoCalGas indicated it will address refinements to the RFA in future solicitations. For the RFP, the IOU accepted most of the IE recommendations except for the following:

- **Recommendation:** SoCalGas should seek clarifications from the Bidder when the proposal includes: (1) unreadable files, (2) incomplete data files, or (3) incorrect data files (e.g., duplicate information). This review can be performed as part of the IOU's existing eligibility screening. **IOU Response:** The IOU position remains that it will not be seeking corrections to any Bidders proposal (except for CET), including Bidder's administrative errors.

4. Bid Evaluation Methodology Assessment

4.1. Bid Screening Process

RFA

SoCalGas conducted a bid screening process which consisted of two threshold requirements: timeliness and completeness of submissions. [REDACTED] the initial screening. The screening was conducted by SoCalGas' Supply Management group which is a separate organization from SoCalGas' energy efficiency group. SoCalGas' decision to advance these bidders was appropriate, since the bidders all provided the appropriate key schedules and attachments critical to evaluating the abstracts.

RFP

SoCalGas implemented a bid screening process consistent with the approach presented to bidders in the RFP. [REDACTED]. 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.

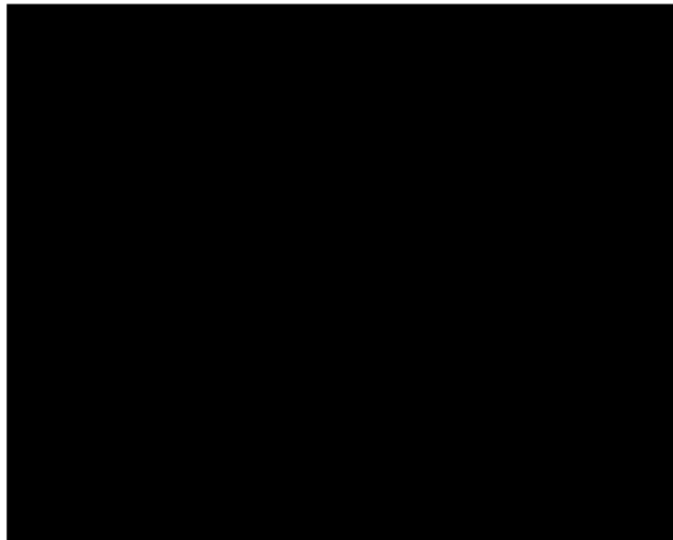
Threshold Assessment Criteria

- 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 energy efficiency 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 energy efficiency 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.

4.2. Scoring Rubric Design

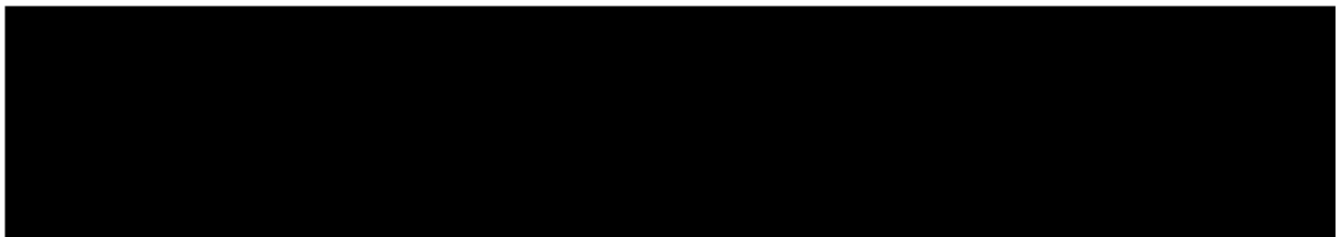
The tables below show the RFA and RFP scoring rubrics that SoCalGas applied to abstracts and proposals that passed the IOU's initial bid screening process.



4.3. Evaluation Team Profile

SoCalGas held a group training session for the scoring team prior to evaluating both the abstracts and proposals. The two training sessions included an overview of the RFA and RFP, conformance with SoCalGas' code of conduct, scoring criteria, IE and PRG roles, and the scorecard.

The tables below present SoCalGas' evaluation team roster during the RFA and RFP stages.





4.4. Response to PRG and IE Advice

As stated previously, SoCalGas provided the opportunity for both the PRG and IE to review and comment on the RFA and RFP materials. The PRG did not provide any specific recommendations on the solicitation materials. SoCalGas accepted most of the IE comments on the RFA or indicated it would address the IE recommendations in future solicitations. For the assessments performed during the RFP stages, the IOU accepted most of the IE recommendations except for the following:

- **Recommendation:** [Redacted]

5. Final Bid Selection Assessment

5.1. Conformance with Established Evaluation Processes

SoCalGas applied the same scoring methodology to all abstracts and proposals. No exceptions were made. All information provided by the bidders was scored as part of the evaluation process. Overall, SoCalGas evaluation approach was neutral and conducted in a fair and transparent manner.

The IE monitored both the RFA and RFP evaluation processes, including the team calibration meetings. The calibration meetings were held to identify and address any significant differences among scorers for any of the discrete scoring elements. Team members were encouraged to share how they applied the scoring guidelines for a bidder response to a given scoring element. Data input errors were able to be discovered at that time. Team members, at their own discretion, were able to adjust their initial score to correct for misapplication of the scoring guidelines or misunderstanding

of the bidder's response. In some instances, team members elected to adjust scores. All adjustments seemed reasonable and well-founded. Discussions were well reasoned and professional, and at no time was any score team member coerced into changing their scores. The IE had no significant disagreements with the score team's assessment of the RFA abstracts or the RFP proposals evaluated.

Social Responsibility Evaluation Criteria

The IOU asked bidders to report on any environmental violations over the last five years. However, the IOU did not consider the response when assigning a score for social responsibilities. [REDACTED]

Bidder Experience Evaluation Criteria

The IOU requested that bidders provide three examples of past program experience. The IOU evaluation considers these examples relative to the prior program's scope/size, targeted segment, budget size, energy type and whether the program operated in California. [REDACTED]

[REDACTED] he IOU should consider adjusting the bidder experience criteria to allow for greater consideration of related program experience in lieu of direct program experience.

5.2. Management of Deficient Bids

SoCalGas did not take any actions to rectify deficiencies associated with individual bids during the evaluation process. Bids were evaluated based on what was submitted. As presented in this report, the IE recommends that under certain circumstances that the IOU should allow bidders to cure administrative deficiencies due to human error without disadvantaging other bidders.

5.3. Shortlist and Final Selections

This solicitation activity has not yet fully concluded during the reporting period; future Semi-Annual Reports will address this topic.

5.4. Affiliate Bids and Conflict of Interest

The CPUC, in Decision 05-01-055, prohibits any transaction between a California IOU and any program implementer for EE that is a California affiliate of an IOU. SoCalGas required all bidders to acknowledge that they are not an affiliate of any California IOU. There was no instance where a California IOU affiliate participated as a bidder in the solicitation.

Additionally, as part of SoCalGas's evaluation team instructions, SoCalGas directed each team member to identify any potential conflict of interests with the participating bidders. None were identified as part of this solicitation.

6. Assessment of Selected Bids

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

7. Reasonableness of Contracting Process

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 Agricultural Solicitation

Reporting Period: April 2020 through September 2020

Prepared by:
MCR Corporate Services



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Local Agricultural Program

1. Solicitation Overview

1.1. Overview

This solicitation invited qualified bidders to propose, design, implement, and deliver an innovative, resource-based program(s) that provides comprehensive, long-term natural gas energy efficiency (EE) results for existing agricultural customers.

Agricultural customers are defined by energy consumption and by customer size.¹³³ The total agricultural sector usage represents approximately 2% percent of the total Southern California Gas Company (SoCalGas or the Company) usage and less than 4 percent of the total non-residential customer load. Agricultural customers operate within a diverse set of segments throughout the service territory.

Scope¹³⁴

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,¹³⁵ where applicable.

Each bid in response to this solicitation was required to be a natural gas-focused resource program.¹³⁶ In addition, bidders could propose optional programs that included technology solutions that save water and/or electricity. If the bidder had an existing relevant agreement with an electric and/or water service provider that the bidder proposed to incorporate as part of its proposed program, the bidder was to provide proof of the agreement. Evidence of such agreements improved a bidder's chances of being selected for Stage Two (Request for Proposals). Abstracts were to clearly distinguish between gas, electric, and water elements (unless a single technology covered gas and another resource) so that SoCalGas could evaluate based on the gas-centric components.

Innovation is an important aspect of this solicitation. Bidders needed to describe how their program was innovative whether through marketing, delivery methods, incentive design, the targeting of certain customer and market segments, and/or application of best practices used to achieve reliable energy savings. For the purposes of this solicitation, SoCalGas and key stakeholders agreed that to be "innovative," the proposal must demonstrate that the program will ultimately increase the uptake

¹³³ See SoCalGas Business Plan, p. 211 (Table 7 – Energy Consumption by customer Size), available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

¹³⁴ SoCalGas outlines its Scope of Work for this solicitation in Section 7 of the RFA, at pp. 27-29.

¹³⁵ See Decision 18-10-008 OP 1, pp. 76-77, available at

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M234/K071/234071190.PDF>.

¹³⁶ SoCalGas RFA, at p. 12.

of cost-effective energy efficiency by advancing a technology, marketing strategy, or delivery approach in a manner different from previous efforts.¹³⁷

Objectives

This solicitation aimed to attract innovative, primarily resource-based program ideas to address various segment barriers and drivers identified in SoCalGas' business plan and targeted all Agricultural customers. The selected bidder will assist SoCalGas in the achievement of various portfolio and sector metrics,¹³⁸ 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 could submit abstracts that addressed all, or a subset of, agricultural sector customers in SoCalGas' service territory. Abstracts should have included 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, hard-to-reach (HTR) status, and members of disadvantaged communities (DACs).

1.2. Timing

Table 1.2 details the expected and actual milestones for the SoCalGas Agricultural (Ag) solicitation. Contract execution is planned for December 31, 2020. Of note is the expected negotiation period of just five weeks. Recent contract negotiations with which the Independent Evaluator (IE) has been involved took two to three times longer. This is an extremely aggressive schedule driven by SoCalGas' need to execute the contract by December 31, 2020 to commit 40 percent of its EE portfolio budget by that date.

Milestones	Completion Date
RFA Stage	
RFA Launch	February 21, 2020
Optional Bidder Web Conference	March 3, 2020
Questions Due from Bidders	March 10, 2020
Responses Provided by SoCalGas	March 17, 2020
Bidder Abstracts Due	April 3, 2020
Shortlist Notification	June 8, 2020

¹³⁷ SoCalGas RFA, at pp. 16-17.

¹³⁸ SoCalGas' Portfolio and Sector-Level Metrics Compliance Filing, pp. 86-88, available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF>.

Table 1.2: Key Milestones	
Milestones	Completion Date
RFP Stage	
RFP Launch	June 12, 2020
Optional Bidder Web Conference	June 23, 2020
Round 1 Questions Due from Bidders	June 26, 2020
Round 1 Responses Provided by SoCalGas	July 2, 2020
Round 2 Questions Due from Bidders	July 8, 2020
Round 2 Responses Provided by SoCalGas	July 15, 2020
Bidder Proposals Due	July 24, 2020
Shortlist Notification	October 13, 2020
Contracting Stage	
Negotiations & Contracting	October 21–November 24, 2020 (Expected)
Anticipated Program Launch	April 2021 (Expected)

1.3. Key Observations

Error! Reference source not found. represents a collection of key IE issues, observations, and investor-owned utility (IOU) outcomes, where applicable, from the assigned IE for the Ag solicitation.

Timing			
[Redacted Content]			
S Enterprise (SBE)	clear SBE definition for IOUs to apply during the solicitation. The Dept. of General Services (DGS) confirms SBE eligibility and assigns a unique SBE identifier to qualifying firms. SoCalGas can refer to the DGS website to confirm bidder SBE status.	SBEs in the evaluation of Social Responsibility questionnaire in addition to Diverse Business Enterprises.	process to confirm SBE status.



Bid Screening	The RFA indicated that during the RFP stage that SoCalGas reserved the right to seek clarification from bidders on their RFP proposals. However, the IOU's bid screening process doesn't allow the SoCalGas to seek clarifications.	SoCalGas should seek clarifications from the bidder when the proposal includes: (1) unreadable files, (2) incomplete data files, or (3) incorrect data files (e.g., duplicate information).	The IOU position remains that it will not be seeking corrections to any Bidders proposal (except for CET), including bidder administrative errors.
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Timing

Bidder Experience	The IOU evaluation considers these examples relative to the prior program's scope/size, targeted segment, budget size, energy type and whether the program operated in California. Very few bidders' past program experience could meet all of these characteristics and there were no bidders who had three examples that met each of these program characteristics.	The IOU should consider adjusting the bidder experience criteria to allow for greater consideration of related program experience in lieu of direct program experience.	Under consideration for future solicitations.
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2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

SoCalGas launched the RFA for its Agricultural solicitation on February 21, 2020. The RFP was launched on June 12, 2020. Bidder notifications of the RFP's launch were not sent automatically, as planned. SoCalGas recognized this problem immediately and manually sent notifications to the bidders within two minutes of when they should have been notified automatically. A subsequent check by the IE confirmed that all bidders had downloaded the RFP document package before the end of the following business day.

As of October 1, 2020, SoCalGas had selected the bidder for contract negotiations and was preparing to present its selection to the Procurement Review Group (PRG) the week of October 5. Table 2.1a summarizes bidder response to the solicitation. Overall, the response was very small, as expected, but most bids were strong.

RFA Stage	Number
Abstracts Expected	
Abstracts Received	
Abstracts Shortlisted	

Table 2.1a: Solicitation Response	
RFP Stage	Number
Proposals Expected	
Proposals Received	

Table 2.1b further details that all bidders except [REDACTED] to submit a proposal. The details of the bid selection process are provided in Sections 4 and 5.



2.2. Bidder's Conference and Q&A

RFA

Previous Semi-Annual Reports provide information regarding the RFA Bidders' Conference.

RFP

SoCalGas held an optional RFP Bidder Web Conference on June 23, 2020. The Conference was scheduled for four hours but was completed in about three-and-a-half hours. The Conference covered three SoCalGas RFP solicitations: Agricultural, Large Commercial, and Residential Manufactured Homes. The agenda for the RFP Bidder's Conference included the following:

- PowerAdvocate Tutorial
- RFP Schedule
- RFP Package, including Purpose and Overview of Core Documents, Scope of Work, Budgets, and Scoring
- CET Training & Process
- Measurement & Verification (M&V)
- Enhanced Program Support Services

The Conference used one-way voice communications, which helped minimize background noise and distractions. Bidders submitted 11 questions via an on-screen tool. All questions were answered in real-time and in writing two weeks later, along with 20 additional questions asked via PowerAdvocate (only one of which was specific to the Ag solicitation). Bidder questions generally centered on the topics of:

- Process, such as incentive design, marketing and outreach, staffing, and changes allowed from abstract.

- Support services provided by SoCalGas.

The IE feels that the practice of one-way communications for Bidder Webinars should be considered a best practice. Distractions are reduced significantly while still allowing participants to ask questions and receive live answers.

2.3. Solicitation Design Assessment

The IE confirms that solicitation was designed in accordance with the CPUC-adopted IOU Solicitation Plan. Previous Semi-Annual Reports provide more information regarding Solicitation Design Assessment.

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

Previous Semi-Annual Reports provide more information regarding RFA Design and Materials Assessment.

3.2. RFP Design and Materials Assessment

Prior to the development of the Agricultural RFP (Ag RFP) package, SoCalGas embarked on an effort to consolidate its RFP template package. The package had grown to 29 separate documents, which was generally agreed to be too many. SoCalGas' IEs were asked to lead this effort but were initially hampered by the edict from SoCalGas' Legal Department that all 29 documents were necessary. Therefore, no documents could be eliminated.

The resulting final RFP template package contained just 16 files, accomplished without eliminating files or changing the contents of any files, just changes to how the information was presented.

SoCalGas based its Ag RFP package on the new RFP template package, which saved time, but the package still needed to be reviewed. Since the Ag solicitation was one of three SoCalGas was issuing simultaneously, the three assigned IEs reviewed the non-solicitation-specific RFP documents in addition to their solicitation-specific documents. Nearly all the IEs' comments were related to consistency and accuracy, rather than deviations from guidelines. Therefore, SoCalGas' repairs were straightforward.

SoCalGas' Ag RFP documents and solicitation process were well designed, struck an appropriate balance between obtaining sufficient information and not overburdening bidders, and successfully fostered a robust evaluation process.

3.3. Response to PRG and IE Advice

RFA

Previous Semi-Annual Reports provide information regarding SoCalGas' response to PRG and IE advice on RFA design.

RFP

SoCalGas received 94 comments on the Ag RFP package. Of those, SoCalGas accepted 79 (84%) in full and 2 (2%) partially. Five (5%) recommendations required no further action. Eight (9%) recommendations were not accepted. Examples of the IEs' and PRG's recommendations accepted by SoCalGas include:

- Warn bidders that instructions (provided by SoCalGas) left in the proposal by bidder may/will count towards applicable page limits.
- The instructions for completing a column in a table suggested that the Bidder's response should be quantitative, while the column heading suggested a qualitative response. The IE recommended clarifying the type of response required of the Bidder.
- Rather than asking how the program complies with applicable policies and requirements, suggest asking bidder to identify which policies and requirements apply, then asking how they apply, and then asking how the bidder intends to comply.

4. Bid Evaluation Methodology Assessment

4.1. Bid Screening Process

RFA

Evaluation of bidder abstracts consisted of two parts: a threshold assessment to determine the responsiveness of the abstract to minimum requirements, and abstract scoring.

The abstract threshold assessment determined whether the bidder had uploaded all the required documents to PowerAdvocate before the deadline and provided the necessary information on the Company Information and Eligibility Requirements Tabs within PowerAdvocate.

Abstracts that received a "pass" on the threshold assessment were scored using the rubric in Table 4.1a.

[REDACTED]

[REDACTED]



The abstract scoring period ran from April 8 to May 1, 2020. To assist its evaluators, SoCalGas created a very thorough document, “RFA Scoring Guidelines for SCG Third Party Solicitations.” The purpose of this document was to provide its evaluators with an overview of the RFA and RFP scoring processes and explain the scorecard tool used to evaluate abstracts and proposals.

As instructed, SoCalGas’ evaluators scored the abstracts independently and refrained from discussing scoring with each other. They were encouraged, however, to contact a member of the Solicitations Team if they had questions regarding abstract scoring.

The IE shadow scored the abstracts simultaneously but did not share its scores with SoCalGas until after the Calibration Meeting.

Calibration Meeting



After the Calibration Meeting, the final scores were ranked, and the Solicitation Team reviewed the data to look for natural breaks in the scores. [REDACTED]

[REDACTED] This recommendation was later presented to SoCalGas management, who also agreed. The PRG had no reason to oppose SoCalGas’ recommendation, [REDACTED] (see Table 4.1b) were notified of their advancement to participate in the RFP stage

RFP

On July 17, 2020, just prior to the proposal due date of July 27, 2020, SoCalGas informed [REDACTED] on California Energy Data and Reporting System (CEDARS) and requested that bidders use the new costs in their CET submittals.

Similar to the RFA stage, the evaluation of bidder proposals consisted of two parts: a threshold assessment to determine the responsiveness of the proposal to minimum requirements, and proposal scoring. The proposal threshold assessment added to the abstract assessment by also assessing whether the proposal differed too much from the abstract on which it was based, in terms of:

- Program theory, expected outputs, and expected outcomes;
- Approach to targeting and enrolling customers;
- Use of upstream, midstream, or downstream delivery channels;
- Types of incentives and financing offered to participants; and
- Other features that Bidder has identified as key distinguishing features.

If the proposal was consistent with its abstract, then it was scored using the rubric in Table 4.1b.



[REDACTED] passed the threshold assessment and were scored during the scoring period that ran from July 31 to August 21, 2020. The IE shadow scored the abstracts simultaneously but did not share its scores with SoCalGas until after the Calibration Meeting that followed the completion of proposal scoring.

Calibration Meeting

[REDACTED]

Shortlist and Selection Meeting

After the Calibration Meeting, the shortlist meeting was held on September 9, 2020 to discuss [REDACTED]

[REDACTED], SoCalGas does not employ an interview step in its selection process, so the selection of the finalist depended almost entirely on the bidders' proposals and SoCalGas' scores [REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]

SoCalGas management participated in the shortlist meeting and asked several questions that resulted in the discussions going beyond simply what score each bidder received, such as aspects of the bidders' proposals relevant to SoCalGas' agricultural sector goals.

At the conclusion of the discussions, each of SoCalGas' evaluator was asked to state who they would select for contract negotiations. [REDACTED]

- [REDACTED]

4.2. Scoring Rubric Design

RFA

Previous Semi-Annual Reports provide more information regarding RFA Scoring Rubric Design.

RFP

The scoring rubric for the RFP stage is detailed in Table 4.1b, above. The rubric was developed as part of the RFP template consolidation effort described in Section 3.2 that involved all of SoCalGas' IEs and has been reviewed by the PRG. Most of the recommendations provided by the IEs during the development of the scorecard focused on making the scorecard easier to use and improving consistency. For example, the descriptors used by evaluators to decide what score to award were sometimes not mutually exclusive or did not consider possible bidder responses.

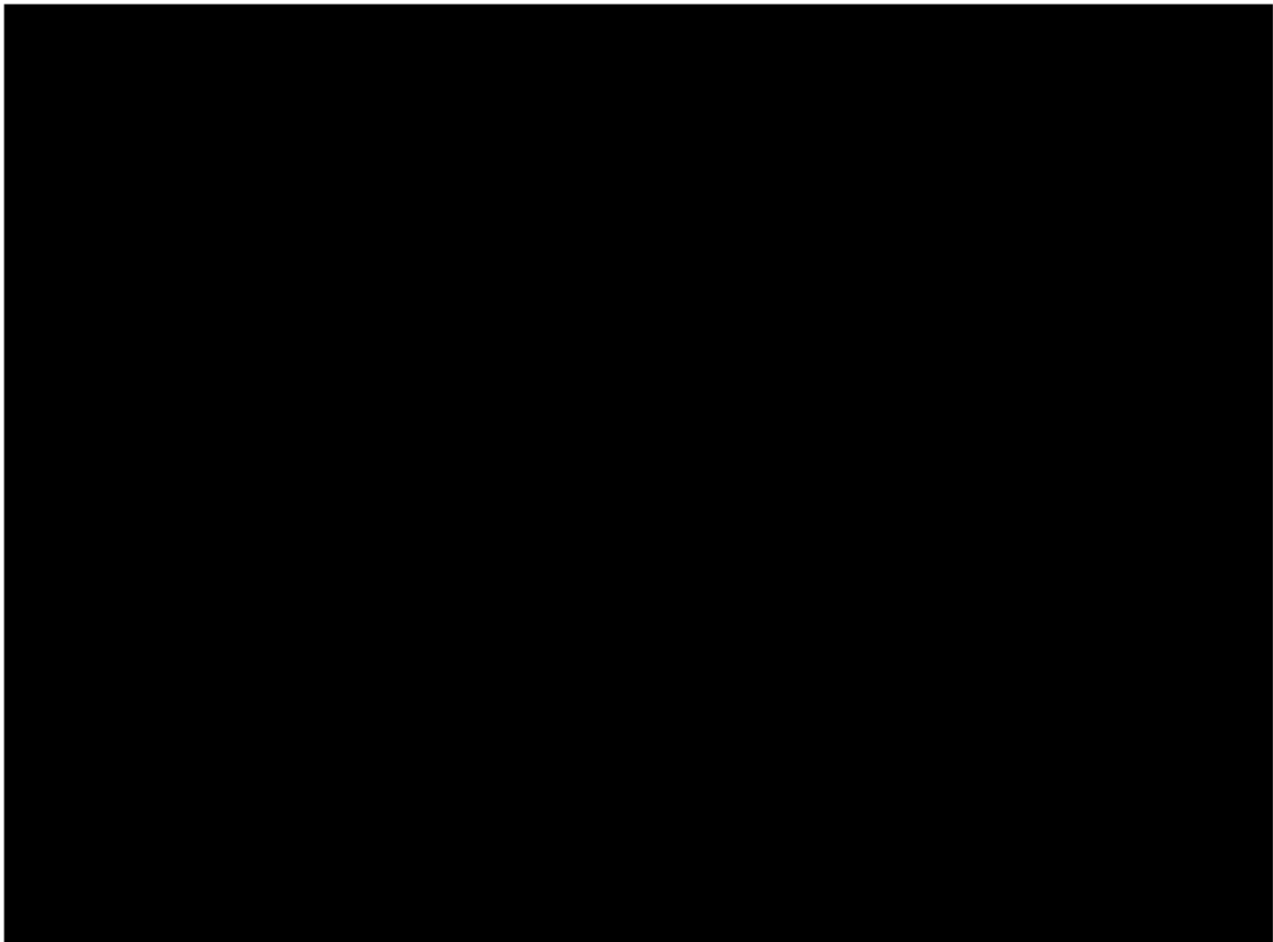
4.3. Evaluation Team Profile

RFA

Previous Semi-Annual Reports provide a profile of SoCalGas' Ag evaluation team.

RFP

[REDACTED]



Training for the Ag proposal evaluators was held on July 22, 2020 in conjunction with the training for the Large Commercial and Residential Manufactured Homes solicitations. As noted in Section 4.1, the IE reminded SoCalGas’ evaluators about taking notes to record their thoughts and scoring rationale. SoCalGas also provided its evaluators with a “Scoring Team Guidance Document” that provided an overview of the RFA and RFP scoring processes and explained the scorecard tool used in the evaluation of bidder abstracts and proposals. This document is a very effective training and reference tool and should be considered a Best Practice by the IOUs.

5. Response to PRG and IE Advice

RFA

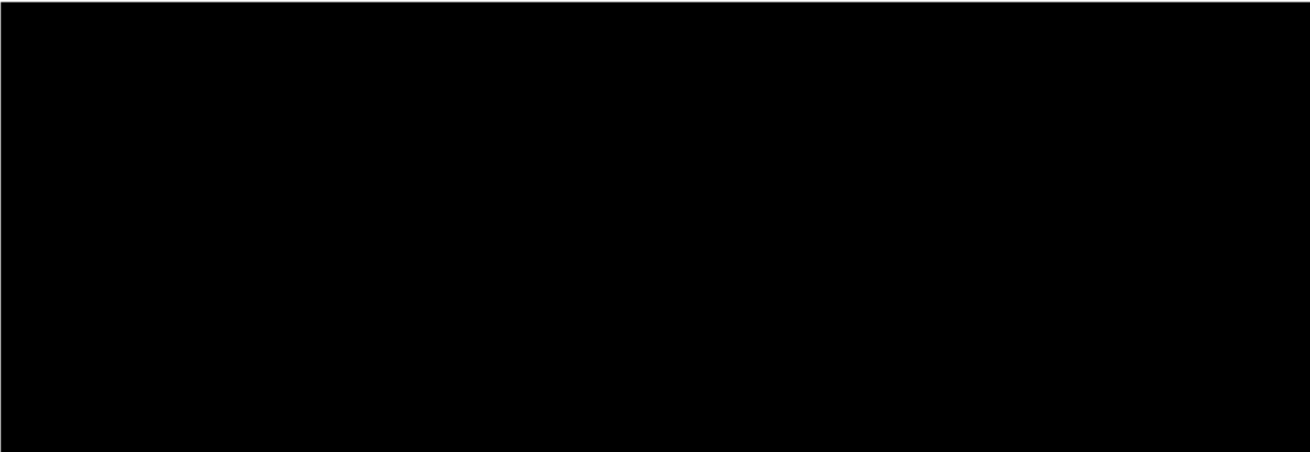
The IEs¹³⁹ and PRG together made nine recommendations for improving the Ag RFA Scoring Criteria. SoCalGas accepted and implemented, at least partially, eight (89%) recommendations. One recommendation, to place a question in another location, was considered but not accepted, because SoCalGas felt the location followed the order of the abstract template.

¹³⁹ SoCalGas’ IEs helped redesign the RFA package. As part of that effort, the IEs reviewed the abstract Scoring Criteria.

RFP

The IEs¹⁴⁰ and PRG together made 23 recommendations for improving the Ag RFP Scoring Criteria. Of those, SoCalGas accepted and implemented, at least partially, 16 (70%) recommendations. Five (22%) were considered, but not accepted, either because SoCalGas did not believe they were necessary, or they were counter to the guidance. The other two (9%) were comments or questions, rather than recommendations for change, so no action was requested or taken. Examples of the IE and PRG recommendations include:

- “Include scoring for cases where the Bidder will not include incentives or rebates in their program design and has been asked to use this section to discuss the program’s strategy to motivate participants to save energy.”
- Include this text in Scoring Criteria description: “All proposals (not just proposals involving NMEC) should include a well-thought-out M&V plan appropriate for the proposed program design.”



The IE recommended changing the scoring criteria for future solicitations for the Staffing Plan to reflect the proportion of total program hours represented by those identified as “TBD,” rather than simply the number of TBDs. This is a new recommendation, so there has not yet been an opportunity for SoCalGas to act on it.

6. Final Bid Selection Assessment

6.1. Conformance with Established Evaluation Processes

During both the RFA and RFP stages, SoCalGas conducted its Ag solicitation evaluations in conformance with its established processes and found no non-conforming bids.

6.2. Management of Deficient Bids

SoCalGas found no non-conforming bids during the RFA stage.

¹⁴⁰ SoCalGas released three RFPs simultaneously and the three IEs reviewed the documents common to the three solicitations.

Prior to proposal calibration in the RFP stage, SoCalGas identified one potentially non-conforming proposal in which the bidder had exceeded the stated five-page limit for a specific section by one-half page. SoCalGas' policy was to grant a one-page allowance for page-limit overages, so this bid was not disqualified. The IE's page count matched SoCalGas' page count, so the IE agreed with SoCalGas' decision.

6.3. Shortlist and Final Selections

a. Portfolio Fit

As described in Section 4.1,



Customer Segments	Controlled Environment Agriculture, Dairy and Non-dairy Animal production, Post-Harvest, Wineries, Breweries, and Distilleries
Customer Sub-Segments	All agriculture sub-segments
Program Delivery Type	Downstream
Geographic Area Served	SoCalGas territory including primary agricultural regions of lower central valley (CTZ 13) and central coast (CTZ 5)
Hard-to-Reach Goal	
Disadvantaged Communities Goal	
Total Program Budget (\$)	
Total Gross Energy Savings (Therms)	
Total Net Energy Savings (Therms)	
Total Water Savings (Gallons)	
Program TRC Ratio	
Program PAC Ratio	
Program Levelized TRC Cost	

¹⁴⁴ SoCalGas Business Plan, p. 205 (Table 3 – Annual and Cumulative Net Savings).

Program Levelized PAC Cost	
Bidder's Proposed Compensation Type	
Savings Calculation Method(s)	

b. Response to PRG and IE Advice

Neither the IE nor the PRG provided any advice to SoCalGas regarding its selection.

6.4. Affiliate Bids and Conflict of Interest

SoCalGas asked Bidders during both the abstract and proposal stages to declare if they were an affiliate. SoCalGas also screened its abstract and proposal evaluators to ensure that they had no potential conflicts of interest with any of the known Bidders. For this Solicitation, SoCalGas neither received any abstracts or proposals from affiliated Bidders nor identified any employees associated with the Solicitation with conflicts of interest.

7. Assessment of Selected Bid

Since the final contract has not been negotiated, it is too early to determine whether the selected bid responds to the portfolio needs.

8. Reasonableness of Contracting Process

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 Behavioral Solicitation

Reporting Period: April 2020 through September 2020

Prepared by:
Apex Analytics, LLC



December 2020

Disclaimer: Certain portions of this report are redacted due to the sensitive nature of the information.

Local Behavioral Program

1. Solicitation Overview

This Report covers the activities associated with the Behavioral Program solicitation for the period of June 2020 through October 2020. During this period, Southern California Gas Company (SoCalGas or the Company) completed the Request for Abstracts (RFA) design and launch, conducted the threshold assessment and screening for eligibility of bids received and began the scoring process. During this period, the Independent Evaluator (IE) was involved in monitoring all solicitation-specific activities, such as reviewing RFA documents, bidder Q&A responses, bidder training materials, and participating in review of the threshold assessment, eligibility screening, and conducting a shadow scoring of all proposals.

1.1. Overview

The objective of this solicitation is for the energy efficiency (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.

Scope

This solicitation targeted both residential and commercial customers for cost-effective Behavioral programs that meet the California Public Utilities Commission (CPUC or Commission) 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). The solicitation scope outlined these CPUC requirements, but also encouraged innovative to drive cost-effective therm savings. This solicitation encourages the exploration of all relevant delivery channels and program strategies to produce a cost-effective program to maximize natural gas efficiency savings. Program proposals were requested to address residential or commercial or both sectors for a natural gas-focused resource program.

Objectives

The solicitation is based on the goals identified in SoCalGas' approved business plan¹⁴²; the solicitation is designed to promote behavioral-related energy efficiency solutions through intelligent outreach, expanding to more customers and increasing therm savings over historical programs.

1.2. Timing

The Behavioral solicitation is generally on schedule as planned.¹⁴³ The Behavioral RFA was released in August 2020 and the Request for Proposal (RFP) is planned for release in December 2020 with an anticipated launch in the fourth quarter of 2021. RFA screening occurred in October 2020 and

¹⁴² https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF

¹⁴³ Joint IOU Program Solicitations 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 caeecc.org.

scoring and calibrating are planned for late October 2020. The detailed timing of the Behavior Program solicitation is outlined in the table below. Table 1.2 outlines key milestones for this solicitation.

Table 1.2: Key Milestones	
Milestones	Completion Date
RFA	
RFA Released	August 21, 2020
Optional Bidder Web Conference	September 2, 2020
Questions Due from Bidders	September 9, 2020
Responses Provided by SoCalGas	September 16, 2020
Bidder Abstracts Due	September 25, 2020
Stage One Abstract Review Period ends	November 2020
RFP	
RFP Released	January 15, 2021 (est.)
Optional Bidder Web-Conference	Pending
Questions Due from Bidders – Round 1	Pending
Responses Provided by SoCalGas – Round 1	Pending
Questions Due from Bidders – Round 2	Pending
Responses Provided by SoCalGas – Round 2	Pending
Bidder's Proposal Due in Power Advocate	Pending
Calibration Meetings Held	Pending
Shortlist Meetings Held	Pending
Shortlist Presented to PRG	Pending
Contracting and Implementation	Pending
Contract Negotiation & Contracting	Q2 2021
Contracts Presented to PRG	Q2 2021 (est.)
Contract Executed, Notice to Proceed	Q2 2021 (est.)
Implementation Plan Uploaded to CEDARS	Q2 2021 (est.)
Program Launch	Q4 2021 (est.)

1.3. Key Observations

In general, the solicitation process through the RFA release and beginning of RFA scoring has been smooth, transparent, and well-managed by SoCalGas. The RFA 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 Process			
Unique Solicitation	The Behavior solicitation targets a new area and is unique in that it continues and expands an existing program into a new sector and does not involve installation of measures.	The uniqueness of this solicitation should be considered in writing the evaluating the RFP.	New recommendation.
Bidder Q&A	Bidders requested specific information about SoCalGas customers and previous programs that could potentially help with program design but were denied due to confidentiality; however existing contractors would have had access to the information.	For the RFP, provide more information such as customer usage data by quartile and season, and segmentation by business type for commercial customers, or other types of information that existing contractors have access to. For future RFAs where programs have existing contractors, work to provide information already available to existing contractors.	New recommendation.
Threshold and RFA Screening Process	SoCalGas incorporated an objective and transparent process that first identified possible reasons for disqualification, but ultimately kept in proposals where there was room for doubt.	None, SoCalGas should continue this process.	

2. Solicitation Outreach and Bidder Response

2.1. Bidder Response to Solicitation

Bidders were informed about solicitation opportunities through three main sources. SoCalGas used Proposal Evaluation & Proposal Management Application (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 California Energy Efficiency Coordinating Committee (CAEECC) web site.

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 2.1 provides statistics on the bidder response to the Public 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, [REDACTED]

- One clearly stated that it only provided back-office services.
- The other included a program design that clearly did not include an RCT and was based on using social media as its communication platform.

[REDACTED]

	Number
Bidders Registered	[REDACTED]
Bidders Accessing RFA	[REDACTED]
Abstracts Received	[REDACTED]
[REDACTED]	[REDACTED]
Redundant Abstracts	[REDACTED]
Complete and Eligible Abstracts	[REDACTED]

2.2. Bidder's Conference and Q&A

SoCalGas held an RFA bidder conference and responded to the bidders' questions in a complete, accurate, and timely manner consistent with their solicitation schedules. SoCalGas developed written responses to questions posed by bidders at during the webinar and submitted to PowerAdvocate. SoCalGas sent these responses to all potential bidders through PowerAdvocate. The IE was asked to review conference materials and review Q&A responses prior to sending them to bidders.

This solicitation received a substantial amount of interest and questions from potential bidders. Thirty-one questions were asked during the bidder conference and an additional 70 were sent following the meeting through Power Advocate. Bidder Q&A questions were primarily around the following topics:

- Eligibility of specific program ideas
- Information about past program participation and costs that could be provided
- Demographic, energy use or segmentation data about SoCalGas customers.

- Services SoCalGas can provide to the winning bidder
- Miscellaneous questions about the process and timing

The IE noted that several questions were asking for detailed demographic information about SoCalGas customers, average energy use, customer segments or past participants.

[REDACTED]

otherwise, the IE suggested minor edits which were accepted and included by SoCalGas. A summary of the bidder conference is provided in Table 2.2.

Table 2.2: Bidder Conference and Q&A	
RFA Bidder Conference Date	September 2, 2020
Number of Questions Asked During Conference	31
Additional Questions Sent to Power Advocate	70

2.3. Solicitation Design Assessment

The solicitation design met SoCalGas’ intended need to procure a resource-based program(s) targeting a continuation of the existing Residential Behavioral program with opportunities to expand the program to additional residential and commercial customers. SoCalGas’ solicitation strategy aligned with its Business Plan. The solicitation requested that bidders propose programs that would help achieve SoCalGas’ savings goals and applicable portfolio and sector-level metrics. Specifically, the Behavioral solicitation sought to obtain program ideas to address various segment barriers identified in the Business Plan, with a focus on intelligent outreach and expanding participation.

The solicitation underway is being conducted as a two-stage process (RFA, followed by an RFP), consistent with the requirements of Decision 18-01-004 and SoCalGas’ Solicitation Plan. The IOU has actively involved both the PRG and IE at every stage so far.

3. RFA and RFP Design and Materials Assessment

3.1. RFA Design Requirements and Materials

The RFA for the Behavioral solicitation was composed of eight documents, including the RFA itself, three attachments for the bidder to populate, and four exhibits for bidder reference. We believe this was a reasonable number of documents for the RFA. The RFA was primarily based in Microsoft Word, with some associated Microsoft Excel tables.

The RFP packet was somewhat challenging to design due to the unique nature of the Behavioral solicitation. The IE worked with SoCalGas to ensure the request was clear in that it was asking for continuation of the program to existing participants, expanding to additional residential customers, and further expanding into the commercial sector. Ultimately, we believe that the RFA packet was well designed in terms of clarity and quantity of required information to be provided by the bidder. In general, SoCalGas used a template strategy, where they developed a template to use with all

solicitations and modified it to apply specifically to this solicitation. Improvement areas included ensuring that the request for information was aligned with the scoring rubric, clarifying that cost-effectiveness, pay-for-performance metrics, and performance and reporting plans will be requested in the RFP and are not required for the RFA.

3.2. Response to PRG and IE Advice

As noted above, SoCalGas shared initial templates of RFA materials first with the IEs and then with the PRG. Then, for the specific RFA those were also 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.

At the RFA phase, [REDACTED] could inhibit a competitive and unbiased competition and in particular noted that two of the individual scoring criteria were redundant: whether the bidder has a reasonable plan to employ a skilled workforce that will contribute to the success of the program, and that key personnel have experience in utility Behavioral Programs. SoCalGas eliminated the redundancy and [REDACTED]. The IE provided feedback on wording of the individual scoring criteria within these categories to ensure that [REDACTED] would receive partial scoring.

4. Bid Evaluation Methodology Assessment

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.

4.1. Bid Screening Process

SoCalGas utilized a bid-screening process at the RFA stage 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 energy efficiency technologies, tool development, research and development (R&D), or completion (i.e., 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 energy efficiency program;
 - Energy efficiency programs and programs that overlap or duplicate the efforts of statewide energy efficiency programs;
 - Programs that are primarily based on behavioral measures (Note: Resource program designs that include a behavioral-based strategy are acceptable);

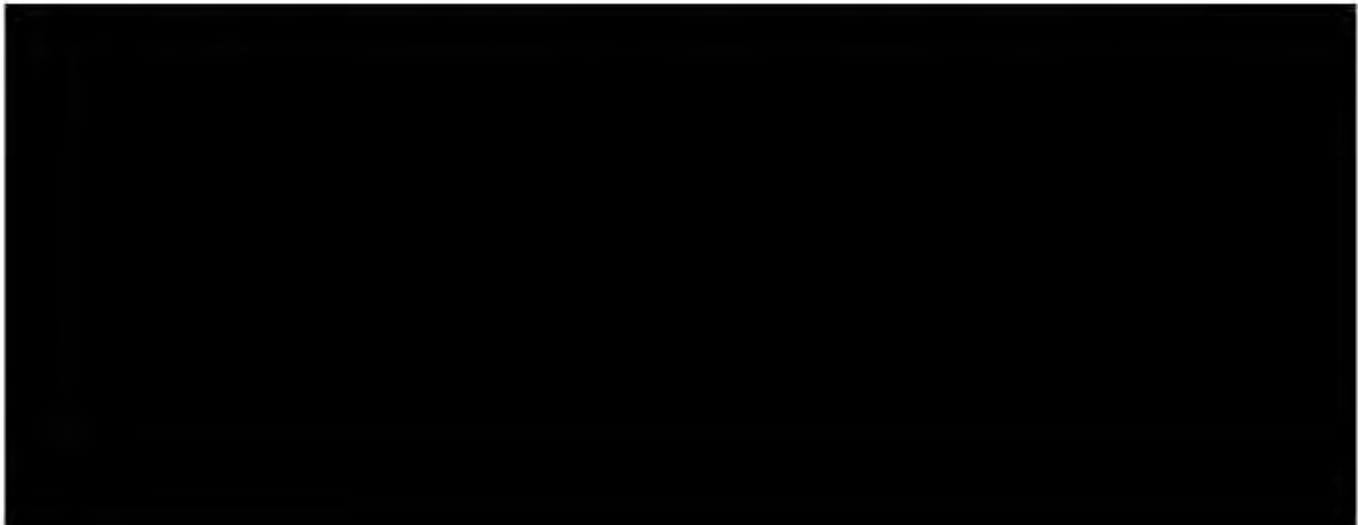
- Income-Qualified energy efficiency programs and non-energy efficiency products or services;
- Programs that solely promote demand response;
- Non-energy efficiency programs/services and services that support other energy efficiency programs;
- Evaluation, Measurement & Verification (EM&V) consulting 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.);
- Local Government Partnership or Regional Energy Network Programs or programs that overlap or duplicate the efforts of Local Government Partnerships or Regional Energy Networks;
- Programs based solely on deemed measures, without supporting CPUC-approved workpapers or Database of Energy Efficiency Resources (DEER) identification.



4.2. Scoring Rubric Design

RFA

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. Prior to issuance of the RFA, SoCalGas shared the scoring weights and scorecard with the IE for review and feedback. After integrating IE feedback, SoCalGas shared these with the PRG for feedback.



4.3. 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.

4.4. Scoring Process

The scoring process is currently underway with calibration meetings scheduled for scorers and the IE on October 22, 23, and 26.

5. Final Bid Selection Assessment

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

6. Assessment of Selected Bids

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

7. Reasonableness of Contracting Process

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