

**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

**ENERGY EFFICIENCY THIRD-PARTY SOLICITATION PROCESS SEMI-ANNUAL  
INDEPENDENT EVALUATORS' REPORT – SAN DIEGO GAS & ELECTRIC  
COMPANY (U 902 M)**

**PUBLIC VERSION**

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January 8, 2021

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Pursuant to Decision 18-01-004, Independent Evaluators have conducted a semi-annual assessment of the third-party Energy Efficiency program solicitation process and progress of San Diego Gas & Electric Company (SDG&E) for submittal to the California Public Utilities Commission in Rulemaking 13-11-005.<sup>1</sup>

SDG&E hereby files this Semi-Annual Independent Evaluators' Report (Report) on behalf of the Independent Evaluators' for the reporting period April 2020 through September 2020. This Report was not prepared by SDG&E. SDG&E was provided the opportunity to review the Report, but provided limited input into the drafting of the Report. SDG&E reserves the right to object to the content of the Report elsewhere in this Rulemaking. The Report is attached hereto as Attachment A.

DATED this 8<sup>th</sup> day of January 2021, at San Diego, California.

Respectfully submitted,

By: /s/ Erica L. Martin  
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<sup>1</sup> D.18-01-004, Ordering Paragraph 5c at 63.

**ATTACHMENT A**

**SEMI-ANNUAL INDEPENDENT EVALUATORS' REPORT**

# **Semi-Annual Report**

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## **San Diego Gas & Electric Company**

### **Third Party Energy Efficiency Program Solicitations**

Reporting Period: April 2020 through September 2020

*Prepared by Independent Evaluators:*

Barakat Consulting, Inc.  
Don Arambula Consulting  
MCR Corporate Services  
The Mendota Group, LLC

December 11, 2020

**Disclaimer:** This report includes highly sensitive and confidential information.

**SEMI-ANNUAL INDEPENDENT EVALUATORS' REPORT**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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# I. Overview

## A. Purpose

The Independent Evaluators' (IE) Semi-Annual Report (Semi-Annual Report or Report) provides an assessment of San Diego Gas & Electric Company's (SDG&E or the Company), third-party energy efficiency (EE) program solicitation process and progress by SDG&E's 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).<sup>1</sup> For the entire solicitation process, the IE will serve as a consultant to the PRGs, participating in PRG meetings, and shall also provide assessments of the overall third party solicitation process and progress.<sup>2</sup> 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.<sup>3</sup> This Report is provided in response to this requirement and represents an assessment of the program solicitation activities conducted during the period from April 2020 through September 2020. This Report is intended to provide feedback to the CPUC on the progress of SDG&E's EE program solicitations. These Reports will be filed periodically throughout SDG&E's entire third-party solicitation process. This Report identifies areas for improvement and highlights best practices as noted by the IEs based on SDG&E's current program solicitations. The Report is not intended to replace the required Final IE Solicitation Reports, which will be provided to SDG&E 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 (PA). In January 2018, the CPUC adopted Decision 18-01-004 directing the four California IOUs—SDG&E, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCalGas)—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.<sup>4</sup> Further directions were included in Decision 18-05-041, which states:

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<sup>1</sup> Decision 18-01-004, OP 2.

<sup>2</sup> Id, p. 38.

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

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

*The third-party requirements of Decision 16-08-019 and Decision 18-01-004 are required to be applied to the business plans of the investor-owned utilities approved in this decision. All utility program administrators shall have at least 25 percent of their 2020 program year forecast budgets under contract for programs designed and implemented by third parties by no later than December 19, 2019.<sup>5</sup>*

## **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.<sup>6</sup>

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

## **Extension Request**

In October 2019, SDG&E requested an extension to June 30, 2020, to have contracts signed for its Small Commercial Programs, Large Commercial Programs, and Multifamily Programs. On November 25, 2019, the CPUC's Energy Division granted SDG&E's request for extension of time to meet the 25 percent threshold by June 30, 2020.<sup>7</sup>

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

## **Guidance Letter from the Energy Division**

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

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<sup>5</sup> OPN 4.

<sup>6</sup> Decision 18-01-004, p. 31. The Decision further states that the "two-stage process should be used unless there is a specific schedule-related reason that a shortcut must be used."

<sup>7</sup> CPUC Letter to IOUs regarding the "Request for Extension of Time to Comply with Ordering Paragraph 4 of Decision 18-05-041", November 25, 2019.

### 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 CPUC 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, 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 SDG&E's active program solicitations. For ease of review, the Report also provides an overview of solicitation activities and a high-level summary of issues and potential recommendations gleaned from the individual IE assessments. The Report does not address program solicitations for which SDG&E has yet to release an RFA.

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

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

	Solicitations	Assigned IEs	Solicitation Status
1	Local Small Commercial	The Mendota Group	Contracted
2	Local Large Commercial	The Mendota Group	Contracted
3	Local Multifamily Residential	MCR Corporate Services	Contracted
4	Statewide Plug Load and Appliance	Don Arambula Consulting	RFP
5	Statewide Upstream/Midstream Heating, Ventilation, and Cooling (HVAC)	The Mendota Group	Contracting
6	Local Public Sector Federal	MCR Corporate Services	RFP
7	Local Public Sector K-12	MCR Corporate Services	RFP
8	Local Residential Single-Family	Don Arambula Consulting	Contracting
<p>Legend</p> <p>Pre-RFA: Activities conducted prior to RFA release                      RFA: Includes bid preparation and evaluation period                      Pre-RFP: Activities conducted prior to RFP release                      RFP: Includes bid preparation and evaluation period                      Contracting: Contract negotiations                      Contracted: Contract executed with implementer                      Suspended: Solicitation held until a later date                      Cancelled: Solicitation withdrawn; scope may be included as part of a future solicitation.</p>			

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)% <sup>8</sup>
Local Small Commercial	Willdan Energy Solutions	Small Commercial Program	June 30, 2020	\$46,200,000	
Local Large Commercial	TRC Solutions, Inc.	Comprehensive Energy Management Solutions	June 30, 2020	\$45,681,894	
Local Multifamily Residential	Synergy Companies	Residential Zero Net Energy Transformation (RZNET) Program	June 30, 2020	\$14,570,000	

<sup>8</sup> 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 reported by the IOU per General Order 156. These programs may contain significant levels of customer incentives that are not eligible for DBE classification.

## 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 are also provided in Table D.1, including a summary of IE recommendations and outcomes.

- **Shorten solicitation schedule.** SDG&E should reduce solicitation timelines.
- **Address complexity of solicitation materials.** The IEs have continuing concerns about the complexity [REDACTED]. This is overly burdensome for both bidders and reviewers and reduces the overall efficiency of the RFP process. Consistent with the PRG guidelines and previous IE recommendations, the IEs recommend using a Microsoft Word (Word) document to capture the narrative response and Excel to capture the numerical data.
- **Assign multiple evaluators to score the bidder’s proposal in its entirety.** SDG&E should assign at least two reviewers to review the entire proposal and have at least two engineers score the technical portions of the proposal. [REDACTED]. Information about the area each evaluator will score should be provided to the IEs prior to evaluation when the scoring team is identified.
- [REDACTED]
- **Encourage continuous improvement.** SDG&E should hold debriefing sessions with its staff, scoring team, and assigned IE(s) immediately following completion of the RFA and RFP stages to help identify and address issues which occurred that impeded the process as well as those that support an environment of improvement.

Table D.1: IE Observations and Outcomes

Topics	Key Observations	IE Recommendation(s)	Outcomes
Reduce Solicitation Timelines	SDG&E should revisit its solicitation schedule and reduce the timelines associated with various schedule milestones. For example, SDG&E allowed 13 weeks to evaluate and select abstracts. This could have been shortened by four weeks if the shortlist selections were made immediately following the conclusion of the evaluation period. The extended timeline is especially perplexing given [REDACTED]	SDG&E should strive to reduce the solicitation timeline.	SDG&E is [REDACTED] of the solicitations.

Table D.1: IE Observations and Outcomes

Topics	Key Observations	IE Recommendation(s)	Outcomes
	<p>IEs have continuing concerns about the complexity of the Proposal Template, use of an Excel format, and lack of limits on words/pages/font sizes. [REDACTED] of the RFP process.</p>	<p>Consistent with the PRG guidelines and previous IE recommendations, the IE recommends using a Word document to capture the narrative response and Excel to capture the numerical data. [REDACTED] to help streamline and improve future solicitation rounds.</p>	<p>SDG&amp;E is considering recommendation for future solicitations. [REDACTED] SDG&amp;E plans to evaluate this approach for the RFP as well.)</p>
		<p>Assign at least two evaluators who review and score the entire proposal (optionally, not the technical/measure sections and measurement and verification (M&amp;V) plans). [REDACTED]</p>	<p>SDG&amp;E has not yet implemented this recommendation in full. [REDACTED]</p>
	<p>[REDACTED] The evaluation did not consider whether the forecast was based on CPUC-approved methodologies. [REDACTED]</p>	<p>Because the RFA does not require such detailed information regarding the source of the bidder's energy savings assumption, then the evaluation should place little to no weight on the energy savings forecast during the evaluation of the abstract.</p>	
<p>Reduce RFP Requirements</p>	<p>SDG&amp;E requests that the bidders provide a diagram of the program logic model (PLM). The PLM has very limited use in the evaluation of the program proposals.</p>	<p>SDG&amp;E should not request the PLM diagram as the bidder's description of the program design theory is adequate. The PLM should be required as part of the program's Implementation Plan (IP).</p>	<p>SDG&amp;E prefers a visual representation of the program's design to better understand the program's approach.</p>

Table D.1: IE Observations and Outcomes

Topics	Key Observations	IE Recommendation(s)	Outcomes
Continuous Improvement	The IOU has not been holding a debriefing session with its scoring team to identify what worked well and what did not in the bid evaluation process.		SDG&E does not hold debriefing sessions with their evaluation teams but does confer with the IEs on potential improvements to the solicitation processes.

## E. Effective Solicitation Practices

As the EE Solicitations developed, the IEs observed effective practices that helped make the process more fair, efficient, and transparent. In some cases, these practices are applicable across all solicitations, and generally these were incorporated into the PRG guidelines to drive standard practice across all IOUs. In most cases, though, practices listed were effective in context: given the specific circumstances and approach taken by the IOU, what was done worked especially well. It is important to reinforce that many of these items are not generally standardizable across other contexts, and that IEs have not performed the external research and deeper analysis necessary to deem these solicitation “best practices”.

The IEs recommend that [REDACTED] Their relevance to other IOUs/solicitations should be considered by all of the IOUs for EE solicitations.

Table E.1: Effective Solicitation Practices

Effective Practice	IE Analysis
Real-Time Answers at Bidders’ Conference	The Bidders’ Conference was conducted on Slido, with key SMEs available on another call simultaneously and behind the scenes to field questions and provide answers in real time for bidders. All responses are also provided in writing and answers can also be deferred until after the Conference.
Contract Management Office (CMO) Weekly Check-Ins	The SDG&E CMO lead has weekly check-in with each scorer to answer any questions regarding proposal evaluations. The process allows the CMO to get detailed questions from scorers and provide timely responses. Eliminates temptation for groupthink among scorers prior to calibration.

Table E.1: Effective Solicitation Practices

Effective Practice	IE Analysis
Multiple Rounds of Q&A	SDG&E provides more than a single round of Q&A following bidders' conferences, which allows bidders to provide follow-up questions and afforded bidders more opportunity to ask questions

## F. PRG Feedback on Solicitations

PRG feedback on solicitations were generally accepted during this reporting period. Individual reports reflect specific PRG feedback and SDG&E actions.

## G. Stakeholder Feedback from CPUC Workshops

### July 2020 Stakeholder Meetings

In July 2020, the CPUC, pursuant to Decision 18-01-004, held a two-session public stakeholder workshop on July 24, 2020 (Session I) and July 31 (Session II). Session I focused on recapping activities of all of the EE third-party solicitations from both the IOUs' and the IEs' perspectives and providing an opportunity for stakeholders to ask questions and receive updates on the EE Third-Party Solicitations. Session II featured reports on the process as a whole, with presentations from 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 Energy Division, IOUs, stakeholders, and bidders. Presentations and agendas from the workshop sessions are available on the California for Energy Efficiency Coordinating Committee's (CAEECC) website.<sup>9</sup>

#### 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 report outs 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:

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<sup>9</sup> <https://www.caeccc.org/third-party-solicitation-process>.

- **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 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 risks to the bidders would 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, 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 on continuous improvements in working with, understanding, and addressing stakeholder issues and concerns.

After Session I, a survey link was provided 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 on the evolved role of the IE. 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 CPUC approve a consistent approach for offering bidder feedback and build this 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 IOUs should move to a new two-stage process for future solicitations. First pre-qualify bidders through an RFQ process. Then issue RFPs to qualified bidders. This will result in achieving 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 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 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 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 take action on these concerns.

### **Bidder Feedback**

- Bidders want more useful, meaningful feedback to understand why they are not selected so 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 so far down the line from 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 implementors 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 this can be addressed differently.
- Stakeholders seek training on how to submit a proposal and use CET correctly before committing to participation (e.g., Public training on how to participate).
- Stakeholders recommended the creation 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 in the next Semi-Annual Report Workshop.

**II. Attachments: Individual IE Semi-Annual Solicitation Reports**

# Energy Efficiency Independent Evaluators' Semi-Annual Report on the

## **Local Small Commercial Solicitation**

Reporting Period: April 2020 through September 2020

*Prepared by:*  
The Mendota Group, LLC



**Disclaimer:** This report includes highly sensitive and confidential information.

# LOCAL SMALL COMMERCIAL

## 1. Solicitation Overview

### 1.1 Overview

The Company’s first set of solicitations focused on the commercial sector, which, according to the SDG&E Business Plan, accounts for approximately 43 percent of total electricity and 22 percent of total natural gas consumption among the Company’s customer classes. Also, according to the Business Plan, the commercial sector is dominated by small commercial accounts. SDG&E’s desired outcomes for its commercial EE programs are to help customers achieve Zero Net Energy (ZNE) by providing them greatly enhanced self-help tools, program options, and expert assistance.

The RFA stage for this solicitation was covered in the October 2018—April 2019 Semi-Annual Report. The RFP stage was covered in the May 2019—October 2019 and November 2019—March 2020 Semi-Annual Reports. During the period covered by the current Report, SDG&E completed contract negotiations for this program and submitted to the CPUC the Tier 2 Advice Letter for program approval. The CPUC’s Energy Division issued its Disposition accepting (approving) the Advice Letter on September 11, 2020. It should be noted that SDG&E ran its Small and Large Commercial solicitations in parallel, used similar template documents, and followed similar processes. Therefore, many of the items discussed in this report are similar to those discussed in the Large Commercial report.

### Scope

SDG&E sought proposals from non-utility companies for EE programs to serve the Small Commercial Sector (commercial customers under 20 kW, excluding those in the Public Sector) for the 2020-2022 program years.

### Objectives

The objective of the Solicitation was to implement third-party EE programs that reliably capture and document cost effective energy (kWh, kW and/or therm) savings applicable to the Small Commercial Sector.

### 1.2 Timing

Table 1.1 below includes key milestones for this program solicitation.

Table 1.1: Key Milestones	
Milestones	Completion Date
<b>RFA Stage</b>	
RFA Release	November 5, 2018
Abstracts Due	December 7, 2018

Table 1.1: Key Milestones	
Milestones	Completion Date
Abstract Scoring	December 2018 – January 2019
Bidders Notified (RFP)	February 22, 2019
<b>RFP Stage</b>	
RFP Release	June 18, 2019
Proposals Due	August 27, 2019
Proposal Scoring	October 10-11, 2019
Bidders Notified (Interviews)	January 6, 2020
Interviews	January 24, 2020
<b>Contracting Stage</b>	
Bidders Notified (Moving to Negotiations)	February 27, 2020
Contract Negotiations	March 20, 2020
Contract Signed	June 30, 2020
Advice Letter Submitted	August 12, 2020
Advice Letter Approved	September 11, 2020

### 1.3 Key Observations

Table 1.2 below outlines key issues and observations from the IE for this solicitation.

Table 1.2: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Bidder Interview Guidelines	Some bidders did not follow instructions in terms of information that should be presented during the interview and how they should handle revisions to their CETs.	Provide bidders very clear guidelines for both the interview and CET changes. Consider penalizing bidders who do not follow instructions.	SDG&E adopted changes to its Statewide HVAC interviews that sought to address these issues.

Table 1.2: IE Observations and Outcomes

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
CET Review		<p>SDG&amp;E should incorporate into its solicitation process a way to provide bidders feedback and allow them to correct their CETs.</p>	<p>As part of the interview process, SDG&amp;E provided feedback to bidders and allowed them an opportunity to correct their CETs. These corrected CETs were used in evaluating bids in the Interview stage.</p>

## 2. Solicitation Outreach and Bidder Response

### 2.1 Bidder Response to Solicitation

SDG&E’s outreach strategy focused on three primary methods of informing and educating bidders about the solicitation opportunity, via the web, email, and Diversified Business Enterprise (DBE) outreach events.

- **Web-Based:** SDG&E set-up a dedicated Third-Party EE Solicitations web site ([www.sdge.com/more-information/doing-business-with-us/energy-efficiency-third-party-solicitation](http://www.sdge.com/more-information/doing-business-with-us/energy-efficiency-third-party-solicitation)), which includes a solicitation schedule, specific pages for general solicitation resources, and registration information for SDG&E’s online procurement tool (PowerAdvocate®). Solicitation notifications were posted to the Proposal Evaluation & Proposal Management Application (PEPMA): <https://pepma-ca.com/Public/Default.aspx>, a dedicated IOU site for third-party solicitations. The Company also posted solicitation information to the CAEECC’s web site: <https://www.caecc.org/third-party-solicitation-process>. And finally, suppliers could also visit the Opportunities Dashboard in PowerAdvocate to view active solicitations and request access to solicitation documents.
- **Email:** SDG&E sent messages to CPUC service list A. 17-01-013, as well as to 3,454 contractors registered in PEPMA as interested in new solicitation opportunities. The PEPMA list was updated to include new registered users.
- **DBE Outreach Events:** SDG&E presented at a WBEC-West event on April 15, 2019. WBEC-West is a non-profit organization and the Western Regional Partner Organization of Women Business Enterprise National Council (WBENC). In the meeting, SDG&E reviewed with participants the third-party process, timeline, resources on how to participate, and contributed to a round table discussion.

We were not actively involved in solicitation outreach, but we tracked the progress of the outreach efforts to assess whether they were sufficient. One of the key indicators for successful outreach is the response from the bidder community. This solicitation received a good response from the bidder community, indicating that the outreach efforts were appropriate. With respect to fairness, transparency and equity, SDG&E 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 describes the solicitation response at each stage.

Table 2.1: Solicitation Response	
	No.
Abstracts Expected	Unknown
Abstracts Received	
Abstracts Disqualified	

Table 2.1: Solicitation Response	
	No.
Proposals Expected	
Proposals Received	
Proposals Disqualified	
Interviews Conducted	

## 2.2 Bidders' Conference and Q&A

The Company held a combined Large and Small Commercial RFA Bidder Conference on November 14, 2018 using Skype for audio and visual and the Slido platform for bidders to ask questions in real-time. Slido allows bidders to “up vote” questions to elevate questions in importance or indicate that more than one viewer had the same question. SDG&E did not post a recording of the conference to PowerAdvocate as the Company maintains that it cannot do so for legal reasons. There was no way to easily count the number of participants, but the response appeared robust.

SDG&E provided written follow-up to all questions posed during the Bidders' Conference. The Company received more than 45 questions from bidders through a combination of the Bidder Conference and the RFA's formal question and answer period. For the RFA, questioners sought to clarify information requested in the RFA, the interface between local and statewide programs, and issues related to the size of the budget and program's target market. Table 2.2 provides a summary of RFA Bidders' Conference attendance and Q&A.

Table 2.2: RFA Bidders' Conference	
Topic	Date/Number
RFA Bidder Conference	November 14, 2018
Number of Bidder Conference Questions	37
Number of RFA Questions	9

The RFP Bidders' Conference, held on July 2, 2019, combined both the Large and Small Commercial Solicitations and used Skype for audio and visual and the Slido platform for bidders to ask questions in real-time. SDG&E also let individuals attend in person. Some bidders sent representatives.

Bidders posed more than 60 questions between the Bidders' Conference and the RFP Q&A. SDG&E answered most of those in real time at the Bidders' Conference and followed up with written responses to all questions. Most questions sought to clarify information requested in the RFP and technical information related to the CET. SDG&E incorporated a second round of Q&A to provide bidders an additional opportunity to ask both follow-up and further clarifying questions.

Table 2.3 provides a summary of RFP Bidders' Conference attendance and Q&A.

Table 2.3: RFP Bidders' Conference	
Topic	Date/Number
RFP Bidder Conference	July 2, 2019
Number of Bidder Conference Questions	56
Number of RFP Questions	4

We believe that SDG&E responded to bidders' questions at both the RFA and RFP stages in a complete, accurate, and timely manner consistent with their solicitation schedules. The Company provided us an opportunity to review and comment on its draft bidder conference presentation documents and responses to questions submitted during the Q&A period.

### 2.3 Solicitation Design Assessment

SDG&E's solicitation design—to offer both Large and Small Commercial solicitations—was consistent with that proposed in its CPUC-approved Business Plan, Solicitation Plan, and Annual Budget Advice Letter (ABAL).<sup>10</sup> The Small Commercial solicitation was conducted as a two-stage process, consistent with Decision 18-01-004.

## 3. RFA and RFP Design and Materials Assessment

### 3.1 RFA Design Requirements and Materials

The RFA stage of the Small Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report.

### 3.2 RFP Design Requirements and Materials

This section of the RFP was addressed in the May 2019 through October 2019 Semi-Annual Report.

### Interview Design Requirements and Materials

The Interview materials and overall process were well designed and provided fair treatment to bidders who advanced to the Interview stage.

### 3.3 Response to PRG and IE Advice

The RFA stage of the Small Commercial solicitation was addressed in the October 2019 through April 2019 Semi-Annual Report and the RFP stage was addressed in the May 2019 through October 2019 and the November 2019 through March 2020 Semi-Annual Reports.

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<sup>10</sup> Decision 18-05-041 adopted the IOU Business Plans.

SDG&E was very responsive to input from the IE in terms of the design of the Interview stage and incorporated process improvements into other solicitations that followed this one.

## **4. Bid Evaluation Methodology Assessment**

The Interview materials and overall process were well designed and provided fair treatment to bidders who advanced to the Interview stage.

### **4.1 Bid Screening Process**

The RFA stage of the Small Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report and the RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports. Shortlisted bidders from the RFP stage were invited to participate in Interviews. The approach and methodology for evaluating bids worked well.

### **4.2 Scoring Rubric Design**

The scoring rubric design was addressed in the April 2019 Semi-Annual Report.

### **4.3 Evaluation Team Profile**

#### **RFA**

The RFA Evaluation Team profile was provided in the October 2018 through April 2019 Semi-Annual Report.

#### **RFP**

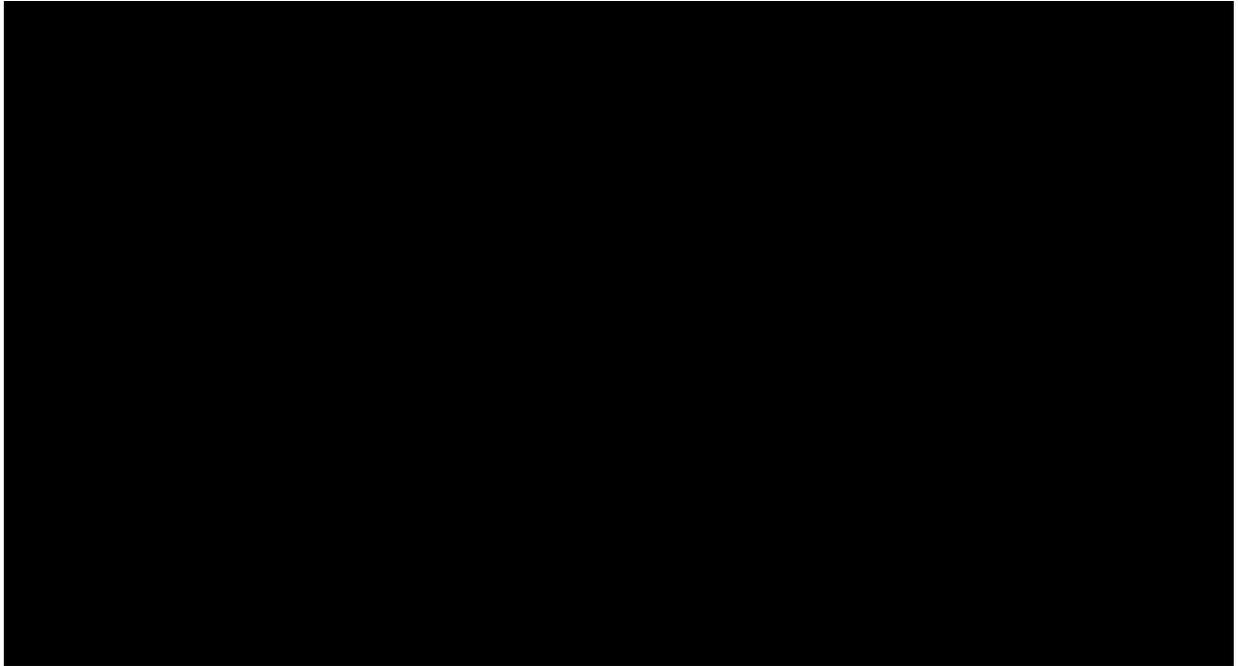
The Small Commercial solicitation RFP evaluation team profile was discussed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

#### **Interviews**

The same individuals who participated in RFP reviews also participated in the interviews.

### **4.4 Response to PRG and IE Advice**

At both the RFA and RFP stages, the PRG and IE directed many comments at the scorecard and scoring process. At the RFA stage, more than 50 comments and at the RFP stage more than 70 comments related to the scorecard. Many of the recommendations from both stages related [REDACTED]. At both stages, SDG&E incorporated most suggested changes, [REDACTED]. The Company committed to reviewing its scorecard but recognized that revising its approach would require a significant dedication of time. This was a luxury that the overall solicitation timeline and need to meet compliance targets did not afford.



## **5. Final Bid Selection Assessment**

### **5.1 Conformance with Established Evaluation Processes**

The RFA stage of the Small Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports. The selection of which bidder to advance to the contracting stage was consistent with the established Interview evaluation process.

### **5.2 Management of Deficient Bids**

The RFA stage of the Large Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

### **5.3 Shortlist and Final Selections**

#### *a. Conformance with Established Evaluation Processes*

The RFA stage of the Small Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports. The final selection from the Interview stage of the RFP was consistent with SDG&E established evaluation process.

*b. Portfolio Fit*

The Small Commercial solicitation was consistent with SDG&E’s Business Plan and the selected contractor met the objectives outlined in the Business Plan. Therefore, the selected program and contractor were a good fit for SDG&E’s portfolio.

*c. Response to PRG and IE Advice*

The IE participated in Interview consensus scoring meetings with the evaluation team and found the discussions to be fair and thorough in determining which bidder to advance to contracting. We supported the decision to advance the selected bidder to contracting. The PRG did not object to SDG&E’s decision to advance the bidder to contract negotiations.

## **5.4 Affiliate Bids and Conflict of Interest**

The IOU did not receive a bid from an affiliate.

## **6. Assessment of Selected Bids**

### **6.1 Bid Selections Respond to Portfolio Needs**

The selection of [REDACTED] is consistent with SDG&E’s portfolio needs as identified in its Business Plan, its Solicitation Plan, and its ABAL filings. Of note, SDG&E did not select any other bidders to serve this segment and does not have any current third-party programs that will continue to serve this segment.

### **6.2 Bid Selections Provide Best Overall Value to Ratepayers**

#### **Introduction**

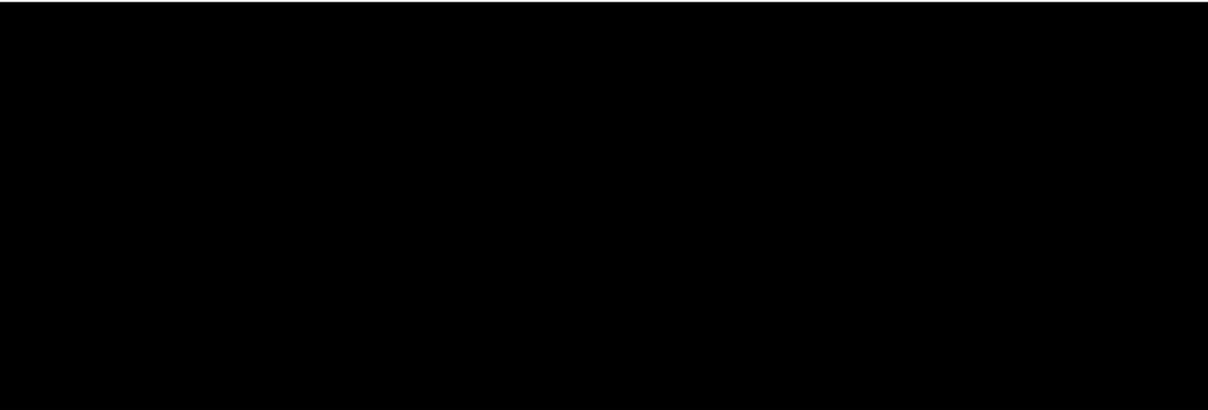
Assessing best overall value to ratepayers is challenging for IEs because our primary role, as defined by the CPUC, are to “monitor the entire process from RFA design to contract execution”, “serve as a consultant to the PRGs”, “provide assessments of the overall third party solicitation process and progress”, and “lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs.”<sup>11</sup> 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

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

solicitation process, and lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs.



The analysis that follows does not attempt to directly compare the selected contract with other proposals in the bid pool. In our view, if the solicitation process was conducted fairly and consistent with the scorecard and other selection criteria, the resulting programs represent the best from the pool. By extension, they 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 SDG&E's existing Commercial 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 how the program conforms to CPUC policies and objectives.

### **Brief Program Description**

██████████ received the highest scores among Small Commercial proposals and scored particularly well on the core program elements (program overview, program design, program operations, program compliance, innovation, experience, staffing plan, and key performance indicators {KPIs}) relative to the other ██████ proposals. As described in its contract, the ██████████ provides full customer service and a complete EE solution through a single point of contact. ██████████ a full range of measures through Deemed and Custom platforms, including LED lighting and lighting controls, HVAC modifications and controls for packaged equipment, HVAC Retro-commissioning (RCx) and operational measures, as well as refrigeration and hot water heating measures.

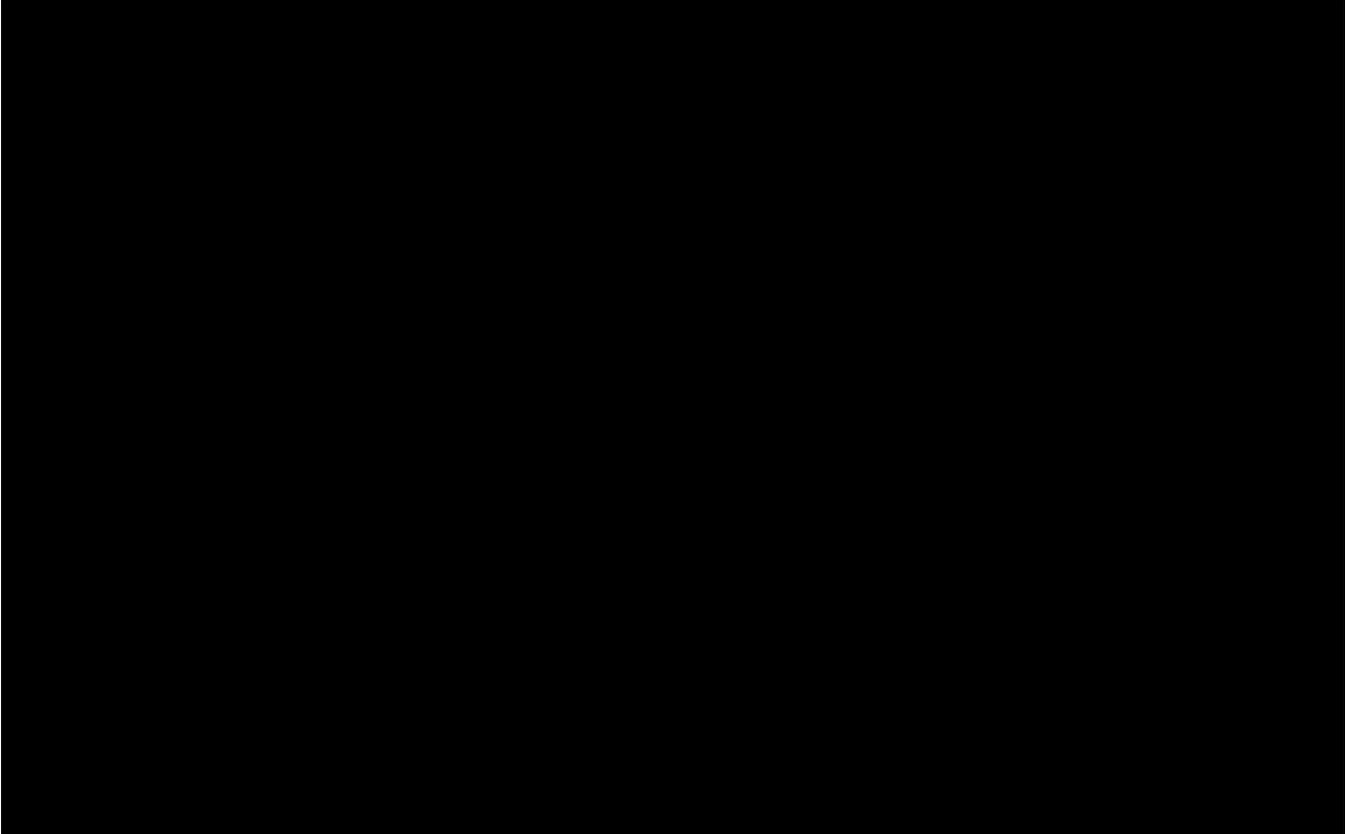
The Program seeks to combine and leverage savings from direct install and quick payback measures (such as RCx and operational measures), with longer payback, high-impact measures to deliver financially attractive targeted measure bundles for individual SDG&E small commercial building types. ██████████

██████████ Additional benefits for SDG&E customers include financing services and advising customers with interest in renewable generation with connection to solar photovoltaic

installers. The program will offer demand response through their energy management technology partners.

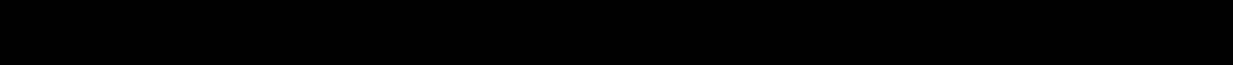
### Quantitative Program Information

The following table shows a summary of the quantitative goal information extracted from [REDACTED]. We have also provided for comparison ex-ante metric information from a combination of SDG&E's 2019 Metrics and Supporting Documentation filing, the Company's 2019 Energy Efficiency Annual Report and an average of 2018 and 2019 end-of-year claims from the California Energy Data and Reporting System (CEDARS).<sup>12</sup> We used 2019 end-of-year claims although 2019 electricity savings were significantly below 2018 results. The results do not exclude any individual programs. The Codes & Standards (C&S) program results are not included. Again, this is primarily to give the program context relative to SDG&E's existing Commercial portfolio.



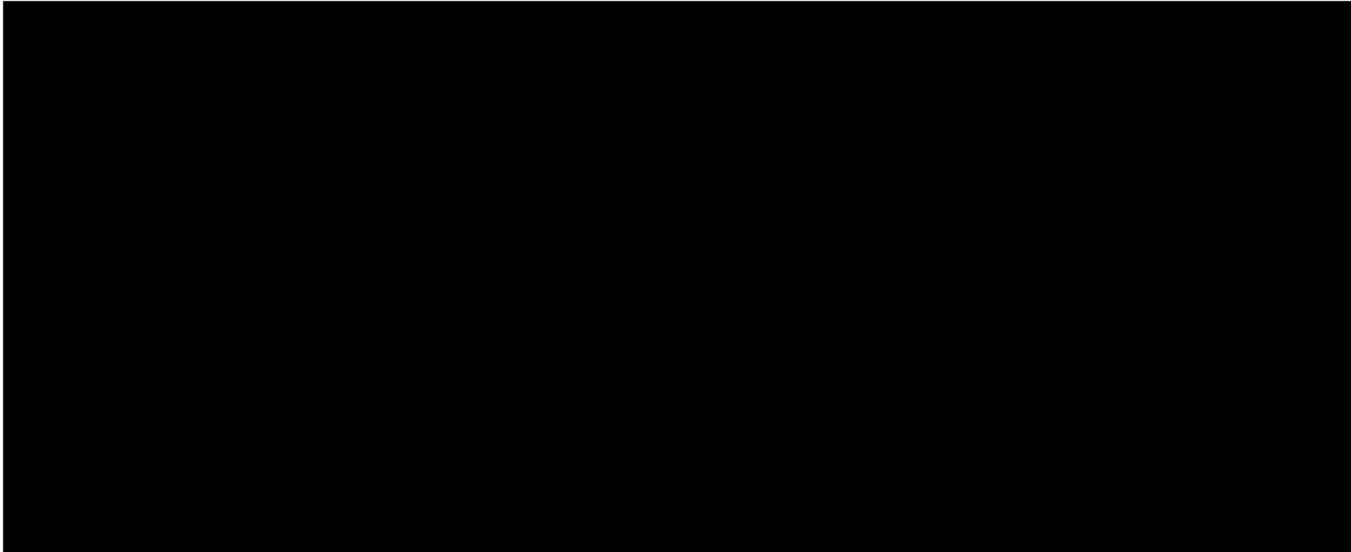
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<sup>12</sup> Derived from "SDG&E 2019 Metrics and Supporting Documentation", May 15, 2020 and 2019 End-of-Year CEDARS claims.



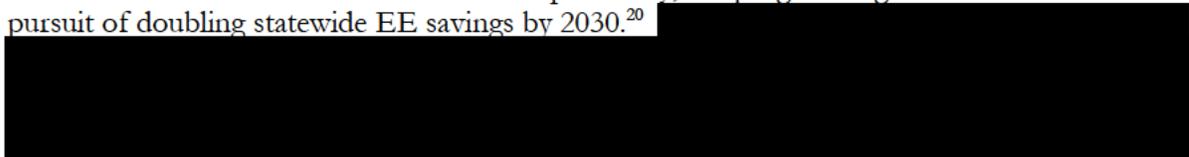
<sup>14</sup> Information from SDG&E's entire portfolio is designated with an asterisk (\*).





### Alignment with EE Planning Principles

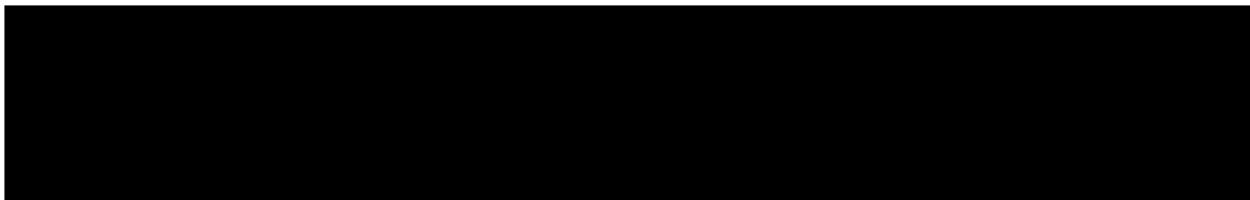
The SCP aligns with California energy policies in helping achieve energy savings and other benefits in SDG&E's Commercial sector. Specifically, the program aligns with Senate Bill 350's pursuit of doubling statewide EE savings by 2030.<sup>20</sup>



The selected program is more cost effective than SDG&E's existing Commercial portfolio (according to the 2019 results shown in Table 7.2) and, therefore, if successful at meeting its goals, would help increase SDG&E's overall portfolio TRC. Innovative features of the program include:

- Delivering integrated EE, demand response (DR), and energy management technologies through team members GridPoint, Energy 360, and OhmConnect leading to persistent EE savings and DR enrollments,
- Using an online platform as the single repository that tracks and manages all program activities, data, advanced analytics, communication, and KPIs,

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<sup>20</sup> SB 350 is the Clean Energy and Pollution Reduction Act of 2015.

- Offering a path to no incentives [REDACTED]
- Using intelligent outreach through LoadSEER, B3 Benchmarking, DirectIntell, Bidgely, and NEO energy modeling technologies (via online platform) to improve results,
- Providing Small Business Do-It-Yourself for Simple Measures as a low-cost alternative to direct install increases enrollment, which improves cost-effectiveness, customer satisfaction, and ensures proper recycling, and
- Helping customers establish and track their goals and providing technical/financial assistance as customers progress from simple to complex EE projects and integrate demand-side resources to reach ZNE.

The [REDACTED] are ambitious and would make substantial contributions to the sector’s achievements. The program’s total energy savings goals are 9.28 million net kWh and 939,000 net therms, averaging approximately 30.9 million kWh and 313,000 therms annually. Using 2019 results as a guide, the program would contribute more than 95 percent of SDG&E’s Commercial sector electric savings.

Further, based on the 2019 Navigant Market Potential Study,<sup>21</sup> the SDG&E Commercial Sector potential for 2021-2023 is approximately 99 million kWh and 1.75 million therms, of which about 71 percent of electricity savings and 67 percent of gas saving are attributable to Commercial rebate programs (the rest are attributable to Behavioral, Retro-commissioning and Operations-type programs {BROs}). [REDACTED] 2021-2023 goals equal about 93 percent of the corresponding Commercial Sector electric market potential for this period. The program’s gas goals equal approximately 54 percent of the 2021-2023 gas market potential. When combined with the Large Commercial contract’s goals, the two programs exceed the market potential electric savings estimate by approximately 53 percent and gas savings estimate by 83 percent. This may indicate that the contract goals will be difficult to achieve, particularly if one considers that the market potential estimates include measures – such as HVAC, lighting, and others – that may be part of statewide programs and, therefore, will not be eligible for the Large and Small Commercial programs. The Market Potential study is in the process of being updated and it will be interesting to see how the contract goals align with updated estimates.

## Measurement and Verification

The program incorporates both deemed and custom measures. The program does not include Normalized Metered Energy Consumption (NMEC) measures. Deemed measures are primarily delivered through a direct install approach and serve as an introduction to deeper, custom measure options. The contract includes an extensive Quality Assurance (QA) Plan (Attachment 6 of the contract) and a detailed M&V Plan (Attachment 13 of the contract The QA Plan describes the processes the program will utilize to track incentives, inspect projects, and incorporate QA/QC elements into the program). The M&V Plan provides detail regarding

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<sup>21</sup> The study documents are available at: <https://www.cpuc.ca.gov/General.aspx?id=6442461220>.

how custom projects will estimate and track savings, document influence, establish baselines, collect data, and calculate and report savings. Both the QA Plan and the M&V Plan were thoroughly reviewed by SDG&E's engineering and EM&V staff. [REDACTED]

## Compensation

The contract's compensation structure is 100 percent performance-based (this value includes the customer incentives portion of the budget). We use "performance-based" to distinguish from "pay-for-performance", a term that the CPUC per 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. Whether one uses the term pay-for-performance or performance-based, the CPUC and the California legislature have stated a clear preference for contracts that "tie payment for services more directly to energy savings delivered, as much as possible." As the CPUC emphasizes, "this requirement is directly applicable to the third-party solicitations."<sup>22</sup>

SDG&E proposed to [REDACTED] confirmed energy savings (kWh and therms), a "base" payment associated with kWh and therms savings, a cost effectiveness performance payment, and a KPI performance payment. The cost effectiveness and KPI targets are based on "bands" with different compensation amounts depending on whether the contractor performs within the band (e.g. TRC between 1.15 and 1.25). SDG&E indicated that they adopted this approach to closely align contractor compensation with program performance as measured by energy savings, TRC, and KPIs. For the commercial sector, it was especially important for the Company to align contractor interests with SDG&E's need to meet CPUC savings and cost effectiveness goals since the sector is a significant contributor to portfolio achievements.

The approach may present some challenges during contract implementation in that it requires detailed tracking and frequent updates from a reliable data stream. SDG&E is in the process of configuring its systems to facilitate implementation, and we anticipate that the Company will be able to overcome challenges this may pose.

The Company's approach to compensation was different [REDACTED] [REDACTED] As discussed below, the contract's compensation structure includes a [REDACTED] if it meets TRC and KPI goals. It also provides the contractor an opportunity to earn a bonus if they exceed goals. Although different from how [REDACTED] we considered this acceptable given that the CPUC's Modifiable Contract Terms and Conditions (Attachment B of D.18-10-008) include payment terms that contemplate use of a "Performance Security" component.<sup>23</sup> Performance

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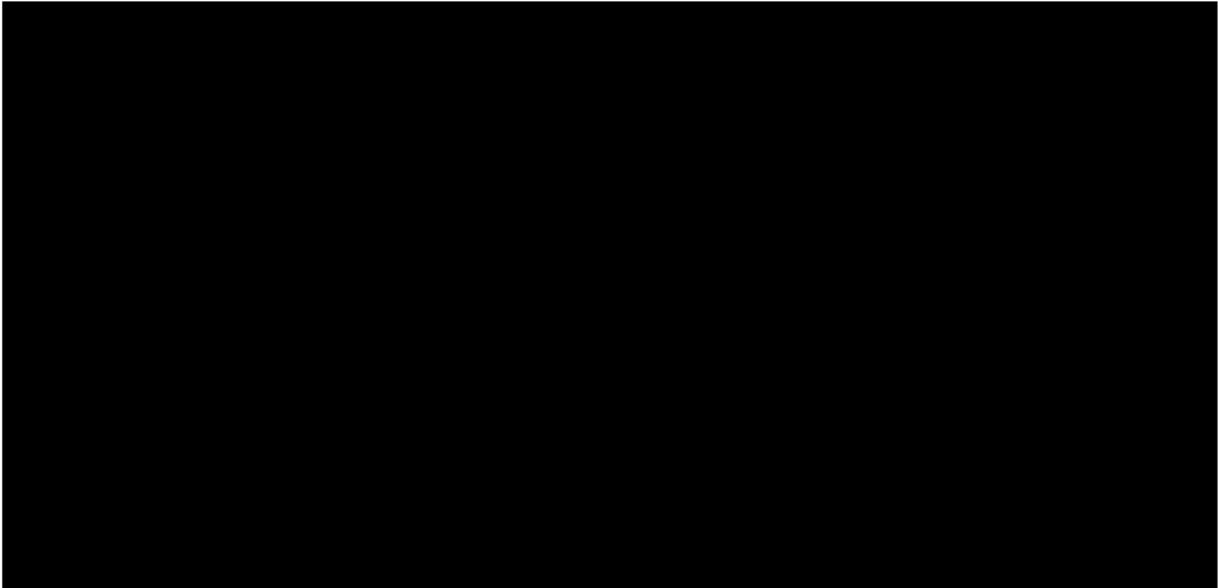
<sup>22</sup> Decision 18-01-004, p. 42. See also COL 22 of the same Decision and Decision 16-08-019 COL 59.

<sup>23</sup> Decision 18-10-008, Attachment B, p. B-9.

Security is an amount of the contract that is held back and released based on contractor performance. In SDG&E's contracts, the TRC and KPI payment components constitute the Performance Security portion of the contract. [REDACTED] and SDG&E accepted, revisions to the values associated with the percentage holdback and the amount of payment per unit of energy savings.

The base payments portion of the contract that is associated with energy savings does not designate [REDACTED] must dedicate to customer incentives. In other words, [REDACTED] to customers it makes out of the compensation it receives. As presented in its budget, approximately 53 percent of the total budget is anticipated to go to customer incentives while 33 percent is for Direct Implementation Non-Incentive (DINI) costs. Administrative and marketing & outreach costs are estimated to be eight percent and six percent of the total budget, respectively.

The following graphics show the breakdown of compensation, including customer incentives and excluding customer incentives. The second pie provides an estimate of the percentages of the contractor compensation portion related to energy savings, TRC goals, and KPI goals.



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 and other contract objectives. Although the contractor does bear a fair amount of risk for non-performance, relative to other metrics, the performance-based portion of their compensation is balanced between achieved energy savings and TRC and KPI metrics. [REDACTED]

Given the risk that contractors will bear, we would have expected to see implementers propose higher payment rates to compensate for this risk. However, at least with respect to this contract negotiation, this did not appear to happen. That said, at the contractor's request, SDG&E

reduced the portion of compensation associated with the cost effectiveness and KPI performance payments, shifting a higher percentage to base payments.

The agreed-upon approach to compensation certainly shifts a large amount of risk to the implementer in that their programs must both produce verifiable energy savings and collect holdback amounts, meet savings, cost effectiveness, and KPI goals.

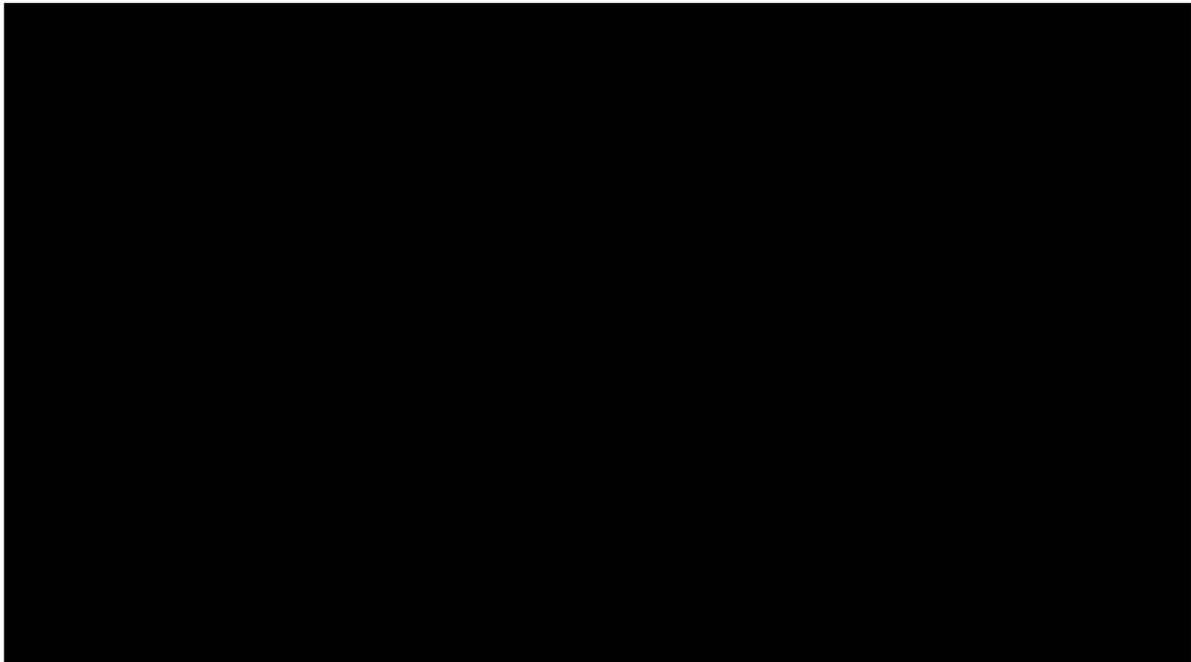
The contract does contemplate this possibility by allowing either party to request to revisit terms if the CPUC changes SDG&E's cost effectiveness requirements.

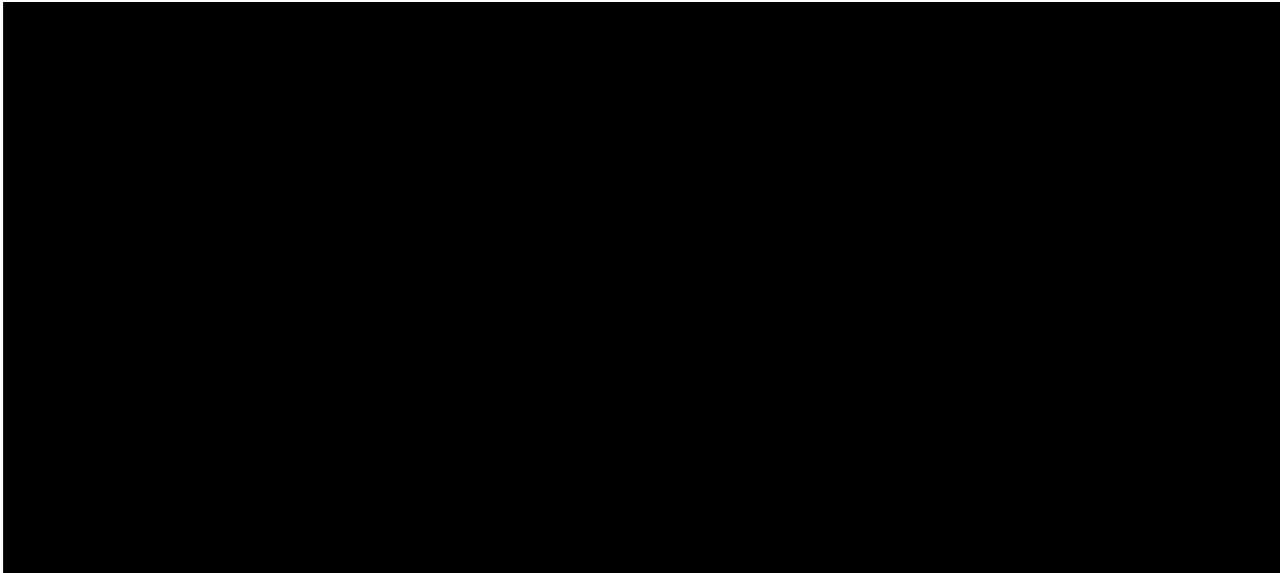
Table 6.2 shows how contractor compensation amounts change based on achievement of different levels of savings. We provide the table to illustrate how the compensation approach could work in practice in terms of what payments the Implementer would receive and how this would change the kWh and therms simple acquisition cost. Given that the compensation structure relies upon multiple factors (kWh and therms savings), TRC and KPIs, it is difficult to present scenarios as there are many possible outcomes depending on how the program performs.

For simplicity, we, the IE, assumed five different scenarios: 1) exceeds all goals [110 percent of savings], 2) meets goals [100 percent of savings], 3) falls just short of savings goal [90 percent of savings], 4) falls short on savings and TRC goals [80 percent of savings], and 5) misses on all goals [70 percent of savings]. It is likely that none of these scenarios will play out exactly; however, this gives a picture of how the compensation approach would work in practice. Importantly, this assumes that the contract follows these scenarios for all three years, something which is also unlikely.

We describe these scenarios in more detail below.

- 1.
- 2.
- 3.
- 4.
- 5.



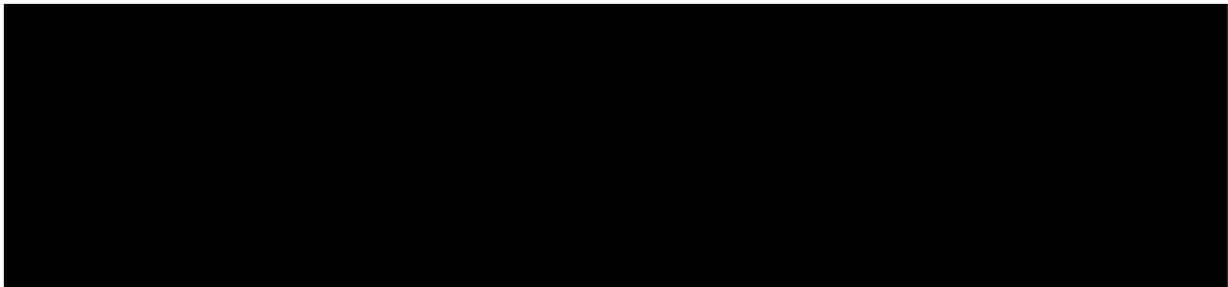


As shown in the table above, reductions in savings achievements do not have an appreciable effect on \$/kWh, \$/therm or \$/lifecycle mmBTU, largely because the compensation is almost entirely performance-based. The acquisition cost values somewhat counterintuitively decrease from 90 percent achievement levels to 80 percent achievement levels. The acquisition cost values decrease even more at 70 percent achievement levels. The reason for this is that we assumed that at the lower savings values the contractor would also fail to meet the minimum TRC and KPI goals such that the contractor would not get this portion of the compensation. Therefore, the program spend drops more than the reduction in savings.

As mentioned, payments to the contractor are associated with bands rather than a sliding scale. In other words, if the contractor does not meet the established target TRC range or overall KPI score range, their compensation amount per kWh and therm drops down to the next compensation band, which is lower on a \$/kWh and \$/therm basis.



Associating such a large portion of the compensation with KPI and TRC achievements will certainly increase [redacted]. Providing the Implementer an opportunity to earn a meaningful amount of additional compensation above the base contract level will provide additional motivation to exceed the established goals. It remains to be seen how this approach to compensation will work but we are hopeful that it will encourage even greater collaboration between the Company and its implementers.



## Supports portfolio and applicable sector metrics achievements

The Program’s KPIs align well with SDG&E’s portfolio and sector metrics. Table 6.3 below shows the KPIs from the contract and how each aligns with the Company’s Portfolio and Commercial Sector metrics. The metrics are from SDG&E’s “2019 Metrics and Supporting Documentation” filing. Although, in some cases, the KPIs are not an exact match with portfolio or segment metrics, all support the metrics in some way (e.g. kWh Goal & Expenditure Alignment supports savings targets, Marketing Campaign Efficacy support savings targets and HTR/DAC metrics, etc.).

Contract Key Performance Indicator	Portfolio Metric	Commercial Segment Metric
Program Performance: kWh Savings	Yes	Yes
Program Performance: kW Savings	Yes	Yes
Program Performance: Therm Savings	Yes	Yes
Program Performance: TRC Ratio	Yes	Yes
Financials/Savings: kWh Goal & Expenditure Alignment	No	No
Financials/Savings: kW Goal & Expenditure Alignment	No	No
Financials/Savings: Therm Goal & Expenditure Alignment	No	No
Program Performance: Program Inspections	No	No
Marketing: Customer Conversion Rate	No	No
Customer Satisfaction: Survey Scoring	No	Yes
Customer Satisfaction: Complaints Received	No	No
Compliance: Reporting Accuracy	No	No
Compliance: HTR/DAC Penetration	Yes	Yes <sup>24</sup>

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

The bidder’s proposed program design did not change substantially from proposal to contract. SDG&E increased the budget from the amount [REDACTED]

<sup>24</sup> SDG&E’s Commercial Sector metrics include an HTR target but not a DAC target.

[REDACTED] D.16-08-19's definition of a third-party program in that the program was proposed and designed and will ultimately be implemented and delivered by non-utility personnel. 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] did not result in a violation of the requirement that the program be designed by the third party.

[REDACTED] collaborated on the final program design in terms of clarifying that measures cannot conflict with those offered by statewide programs, refining KPIs, ensuring the CET incorporates approved measures and proper technical assumptions, modifying compensation terms to work for both parties, and clarifying KPIs, among other topics.

## 7.2 Fairness of Negotiations

We believe the contract negotiations were fair and did not require the bidder to incur any uncompensated costs. The contract negotiation process for this program took approximately three months. There was no evidence of positive or negative bias [REDACTED] contract negotiations. As discussed in the compensation section, we believe the compensation fairly balances risk between the Implementer and the IOU.

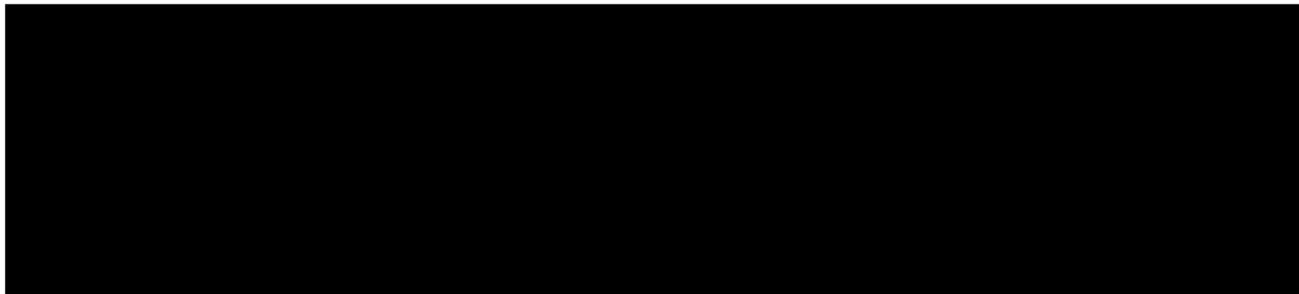
## 7.3 Changes to Contract Terms & Conditions

There were a few issues with respect to changes to SDG&E's corporate terms and conditions. The CPUC's Standard Contract Terms and Conditions were adopted, unchanged. [REDACTED] SDG&E Terms and Conditions to recognize the potential for program interruptions due to COVID-19 and other factors deemed outside their control, and to allow either party to request relief. SDG&E agreed to incorporate into the contract force majeure provisions that provide opportunities for relief in the event of non-performance due to events (such as COVID-19). SDG&E also incorporated language in the contract to indicate that, if the CPUC provided SDG&E relief from its goals (savings, cost effectiveness), these could allow revisions to such requirements in the contract.

We considered these reasonable changes to the contract terms and conditions.

## 7.4 Conformance with CPUC Policies and Objectives

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



Noted No changes to CPUC Standard Contract Terms and Conditions.	Yes
Changes to CPUC Modifiable Contract Terms and Conditions – changes were reasonable	No changes to Modifiable Contract Terms and Conditions other than SDG&E’s revisions to adapt the document for contracting purposes.
Changes to IOU Terms and Conditions – changes were reasonable	Yes. [REDACTED]
Contract is Consistent with CPUC Incentive Guidelines	[REDACTED]
KPIs are Well-developed and Include Appropriate Performance Issue Remedies	
Role Subcontractors Will Play is Clear	
Compensation Structure-like Proposal	
Innovative Aspects of Program are Retained	
If Applicable, IDSM Components Incorporated, If Relevant, IDSM Budget Is Clearly Assigned.	[REDACTED]

If Applicable, Program Considerations for HTR Customers are Incorporated and are Consistent with Proposal	
If Applicable, Program Considers DACs are Incorporated and are Consistent with Proposal	
Contract Clearly Addresses Disadvantaged Worker (DAW) Requirements.	
Contractor is Diversified Business Enterprise (DBE)/Committed DBE Spend	
Changes Made Due to COVID-19	

### 7.5 Uniformity of Contract Changes

SDG&E only negotiated with [REDACTED] to serve the Small Commercial segment; however, the Company did run its contract negotiations for Large Commercial at the same time. SDG&E treated the [REDACTED] and the contracts consistently between these [REDACTED] solicitations.

## 8. Conclusion

SDG&E’s Small Commercial segment solicitation was successful at selecting a program and contractor that should serve the Company and its customers well. Overall, we believe SDG&E conducted this solicitation fairly, transparently, and without bias.

The Commercial Sector in general is very important for SDG&E’s EE portfolio and successful execution of this contract will play a significant role in the Company’s ability to meet its and the State’s EE objectives. The process that produced this program and the contract that will guide its implementation were well-developed. It should help SDG&E to effectively deliver EE and other Distributed Energy Resource (DER) services to its customers and help meet its Business Plan goals, the State’s SB 350 goals, the California Energy Efficiency Strategic Plan’s vision, and ultimately California’s efforts to reduce carbon dioxide emissions.

Energy Efficiency Independent Evaluators' Semi-Annual  
Report on the

## **Local Large Commercial Solicitation**

Reporting Period: April 2020 through September 2020

*Prepared by:*  
The Mendota Group, LLC



**Disclaimer:** This report includes highly sensitive and confidential information.

# LOCAL LARGE COMMERCIAL

## 1. Solicitation Overview

### 1.1 Overview

The Company's first set of solicitations focused on the commercial sector, which, according to the SDG&E Business Plan, accounts for approximately 43 percent of total electricity and 22 percent of total natural gas consumption among the Company's customer classes. SDG&E's desired outcomes for its commercial EE programs are to help customers achieve ZNE by providing them greatly enhanced self-help tools, program options, and expert assistance.

The RFA stage for this solicitation was covered in the October 2018—April 2019 Semi-Annual Report. The RFP stage was covered in the May 2019—October 2019 and November 2019—March 2020 Semi-Annual Reports. During the period covered by the current Report, SDG&E completed contract negotiations for this program and submitted to the CPUC the Tier 2 Advice Letter for program approval. The CPUC's Energy Division issued its Disposition accepting (approving) the Advice Letter on September 11, 2020. It should be noted that SDG&E ran its Small and Large Commercial solicitations in parallel, used similar template documents, and followed similar processes. Therefore, many of the items discussed in this report are similar to those discussed previously in the Small Commercial report.

### Scope

SDG&E sought proposals from non-utility companies for EE programs to serve the Large Commercial Sector (non-residential customers above 20 kW, excluding those in the Public Sector) for the 2020-2022 program years.

### Objectives

The objective of the Solicitation was to implement third-party EE programs that reliably capture, and document cost effective energy (kWh, kW and/or therm) savings applicable to the Large Commercial Sector.

### 1.2 Timing

Table 1.1 below includes key milestones for this program solicitation.

Table 1.1: Key Milestones	
Milestones	Completion Date
<b>RFA Stage</b>	
RFA Release	November 5, 2018
Abstracts Due	December 7, 2018
Abstract Scoring	December 2018 – January, 2019

Table 1.1: Key Milestones	
Milestones	Completion Date
Bidders Notified (RFP)	February 22, 2019
<b>RFP Stage</b>	
RFP Release	June 18, 2019
Proposals Due	August 27, 2019
Proposal Scoring	October 10-11, 2019
Bidders Notified (Interview)	January 6, 2020
Interviews	January 24, 2020
<b>Contracting Stage</b>	
Bidders Notified (Moving into Negotiations)	February 27, 2020
Contract Negotiations	March 20, 2020
Contract Signed	June 30, 2020
Advice Letter Submitted	August 12, 2020
Advice Letter Approved	September 11, 2020

### 1.3 Key Observations

Table 1.2: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)

Table 1.2: IE Observations and Outcomes

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Bidder Interview Guidelines	Some bidders did not follow instructions in terms of information that should be presented during the interview and how they should handle revisions to their CETs.	Provide bidders very clear guidelines for both the interview and CET changes. Consider penalizing bidders who do not follow instructions.	SDG&E adopted changes to its Statewide HVAC interviews that sought to address these issues.

Table 1.2: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
[Redacted Content]			

## 2. Solicitation Outreach and Bidder Response

### 2.1 Bidder Response to Solicitation

SDG&E’s outreach strategy focused on three primary methods of informing and educating bidders about the solicitation opportunity, via the web, email, and Diversified Business Enterprise (DBE) outreach events.

- Web-Based: SDG&E set-up a dedicated Third-Party EE Solicitations web site ([www.sdge.com/more-information/doing-business-with-us/energy-efficiency-third-party-solicitation](http://www.sdge.com/more-information/doing-business-with-us/energy-efficiency-third-party-solicitation)), which includes a solicitation schedule, specific pages for general solicitation resources, and registration information for SDG&E’s online procurement tool (PowerAdvocate®). Solicitation notifications were posted to the Proposal Evaluation & Proposal Management Application (PEPMA): <https://pepma-ca.com/Public/Default.aspx>, a dedicated IOU site for third-party solicitations. The Company also posted solicitation information to the California Energy Efficiency Coordinating Committee (CAEECC)’s web site: <https://www.caeccc.org/third-party-solicitation-process>. And finally, suppliers could also visit the Opportunities Dashboard in PowerAdvocate to view active solicitations and request access to solicitation documents.
- Email: SDG&E sent messages to CPUC service list Application 17-01-013, as well as to 3,454 contractors registered in PEPMA as interested in new solicitation opportunities. The PEPMA list was updated to include new registered users.
- DBE Outreach Events: SDG&E presented at a WBEC-West event on April 15, 2019. WBEC-West is a non-profit organization and the Western Regional Partner Organization of Women Business Enterprise National Council (WBENC). In the meeting, SDG&E reviewed with participants the third-party process, timeline, resources on how to participate, and contributed to a round table discussion.

The IE was not actively involved in solicitation outreach, but we tracked the progress of the outreach efforts to assess whether they were sufficient. One of the key indicators for successful outreach is the response from the bidder community. This solicitation received a good response from the bidder community, indicating that the outreach efforts were appropriate. With respect to fairness, transparency and equity, SDG&E 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: Solicitation Response	
	No.
Abstracts Expected	
Abstracts Received	
Abstracts Disqualified	
Proposals Expected	
Proposals Received	
Proposals Disqualified	
Interviews Conducted	

## 2.2 Bidder's Conference and Q&A

The Company held a combined Large and Small Commercial RFA Bidder Conference on November 14, 2018 using Skype for audio and visual and the Slido platform for bidders to ask questions in real-time. Slido allows bidders to “up vote” questions to elevate questions in importance or indicate that more than one viewer had the same question. SDG&E did not post a recording of the conference to PowerAdvocate as the Company maintains that it cannot do so for legal reasons. There was no way to easily count the number of participants, but the response appeared robust.

SDG&E provided written follow-up to all questions posed during the Bidder Conference. The Company received more than 70 questions from bidders through a combination of the Bidder Conference and the RFA’s formal question and answer period. For the RFA, questioners sought to clarify information requested in the RFA, the interface between local and statewide programs, and issues related to the size of the budget and program’s target market. Table 2.2 provides a summary of RFA Bidder Conference attendance and Q&A.

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Table 2.2: RFA Bidder Conference	
Topic	Date/Number
RFA Bidder Conference	November 14, 2018
Number of Bidder Conference Questions	37
Number of RFA Questions	35

The RFP Bidder Conference, held on July 2, 2019, combined both the Large and Small Commercial Solicitations, and used Skype for audio and visual and the Slido platform for bidders to ask questions in real-time. SDG&E also let individuals attend in person. Some bidders sent representatives.

Bidders posed more than 75 questions between the Bidder Conference and the RFP Q&A. SDG&E answered most of those in real time at the Bidder Conference and followed up with written responses to all questions. Most questions sought to clarify information requested in the RFP and technical information related to the CET. SDG&E incorporated a second round of Q&A to provide bidders an additional opportunity to ask both follow-up and further clarifying questions.

Table 2.3 provides a summary of RFP Bidder Conference attendance and Q&A.

Table 2.3: RFP Bidder Conference	
Topic	Date/Number
RFP Bidder Conference	July 2, 2019
Number of Bidder Conference Questions	56
Number of RFP Questions	20

We believe that SDG&E responded to bidders' questions at both the RFA and RFP stages in a complete, accurate, and timely manner consistent with their solicitation schedules. The Company provided the IE an opportunity to review and comment on its draft bidder conference presentation documents and responses to questions submitted during the Q&A period.

## 2.3 Solicitation Design Assessment

SDG&E's solicitation design—to offer both Large and Small Commercial solicitations—was consistent with that proposed in its CPUC-approved Business Plan, Solicitation Plan, and ABAL.<sup>26</sup> The Large Commercial solicitation was conducted as a two-stage process, consistent with the Decision 18-01-004.

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<sup>26</sup> Decision 18-05-041 adopted the IOU Business Plans.

### **3. RFA and RFP Design and Materials Assessment**

#### **3.1 RFA Design Requirements and Materials**

The RFA stage of the Large Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report.

#### **3.2 RFP Design Requirements and Materials**

This section of the RFP was addressed in the May 2019 through October 2019 Semi-Annual Report.

#### **Interview Design Requirements and Materials**

The Interview materials and overall process were well designed and provided fair treatment to bidders who advanced to the Interview stage.

#### **3.3. Response to PRG and IE Advice**

The RFA stage of the Large Commercial solicitation was addressed in the October 2019 through April 2019 Semi-Annual Report and the RFP stage was addressed in the May 2019 through October 2019 and the November 2019 through March 2020 Semi-Annual Reports.

SDG&E was very responsive to input from the IE in terms of the design of the Interview stage and incorporated process improvements into other solicitations that followed.

### **4. Bid Evaluation Methodology Assessment**

#### **4.1 Bid Screening Process**

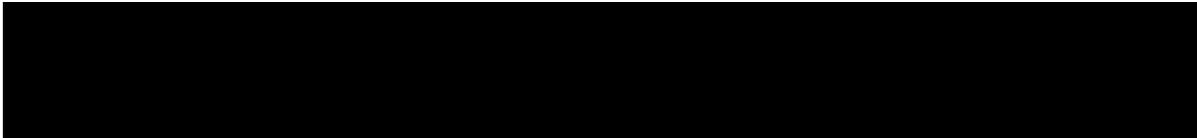
The RFA bid evaluation methodology was described in the October 2018 through April 2019 Semi-Annual Report. The RFP bid evaluation methodology was described in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports. Shortlisted bidders from the RFP stage were invited to participate in Interviews. The approach and methodology for evaluating bids worked well

#### **4.2 Scoring Rubric Design**

The RFA scoring rubric for the Large Commercial solicitation was discussed in the October 2018 through April 2019 Semi-Annual Report and the RFP scoring rubric was discussed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

#### **Interviews**





### **4.3 Evaluation Team Profile**

#### **RFA**

The RFA Evaluation Team profile was addressed in the October 2018 through April 2019 Semi-Annual Report.

#### **RFP**

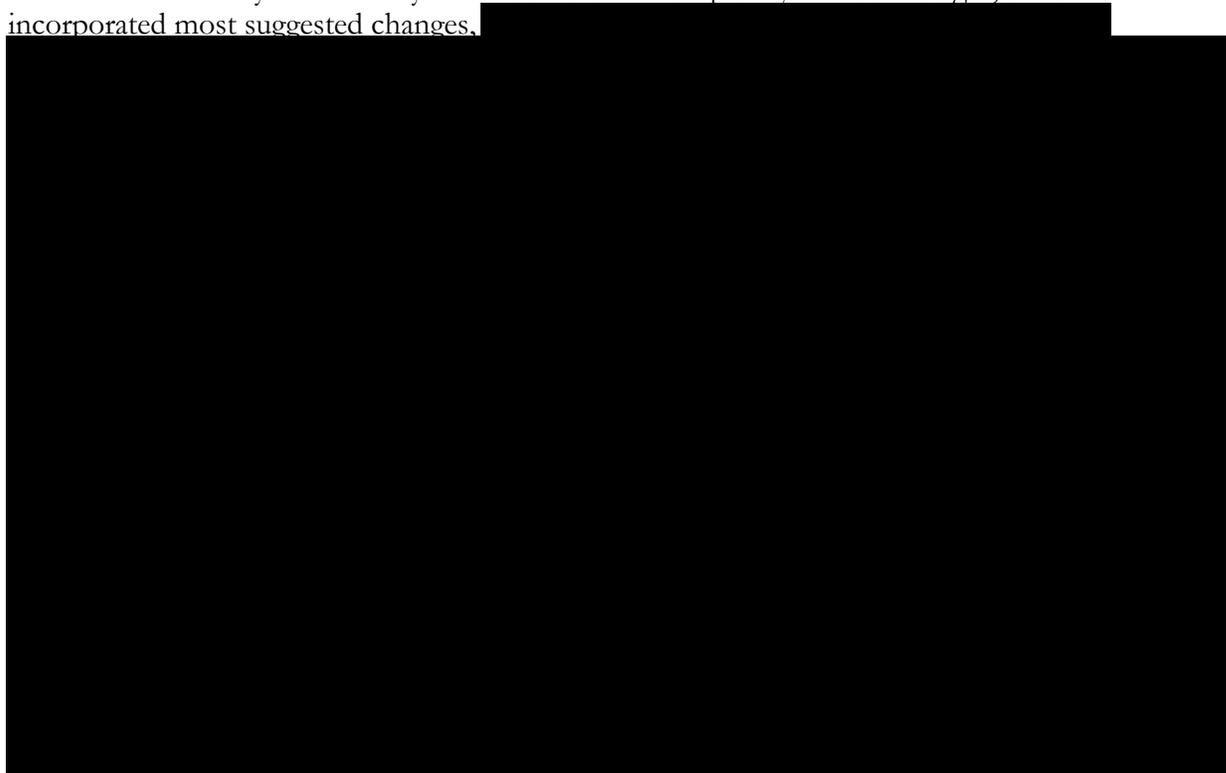
The Large Commercial solicitation RFP evaluation team profile was described in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

#### **Interviews**

The same individuals who participated in RFP reviews also participated in the interviews.

### **4.4 Response to PRG and IE Advice**

At both the RFA and RFP stages, the PRG and IE directed many comments at the scorecard and scoring process. At the RFA stage, more than 50 comments and at the RFP stage more than 70 comments related to the scorecard. Many of the recommendations from both stages related either directly or indirectly to the scorecard's complexity. At both stages, SDG&E incorporated most suggested changes.



## 5. Final Bid Selection Assessment

### 5.1 Conformance with Established Evaluation Processes

The RFA stage of the Large Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports. The selection of which bidder to advance to the contracting stage was consistent with the established Interview evaluation process.

### 5.2 Management of Deficient Bids

The RFA stage of the Large Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

### 5.3 Shortlist and Final Selections

#### *a. Conformance with Established Evaluation Processes*

The RFA stage of the Large Commercial solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports. The final selection from the Interview stage of the RFP was consistent with SDG&E established evaluation process.

#### *b. Portfolio Fit*

The Large Commercial solicitation was consistent with SDG&E's Business Plan and the selected contractor met the objectives outlined in the Business Plan. Therefore, the selected program and contractor were a good fit for SDG&E's portfolio.

#### *c. Response to PRG and IE Advice*

The IE participated in Interview consensus scoring meetings with the evaluation team and found the discussions to be fair and thorough in determining which bidder to advance to contracting. We supported the decision to advance the selected bidder to contracting. The PRG did not object to SDG&E's decision to advance the bidder to contract negotiations.

### 5.4 Affiliate Bids and Conflict of Interest

The IOU did not receive a bid from an affiliate.

## 6. Assessment of Selected Bids

### 6.1 Bid Selections Respond to Portfolio Needs

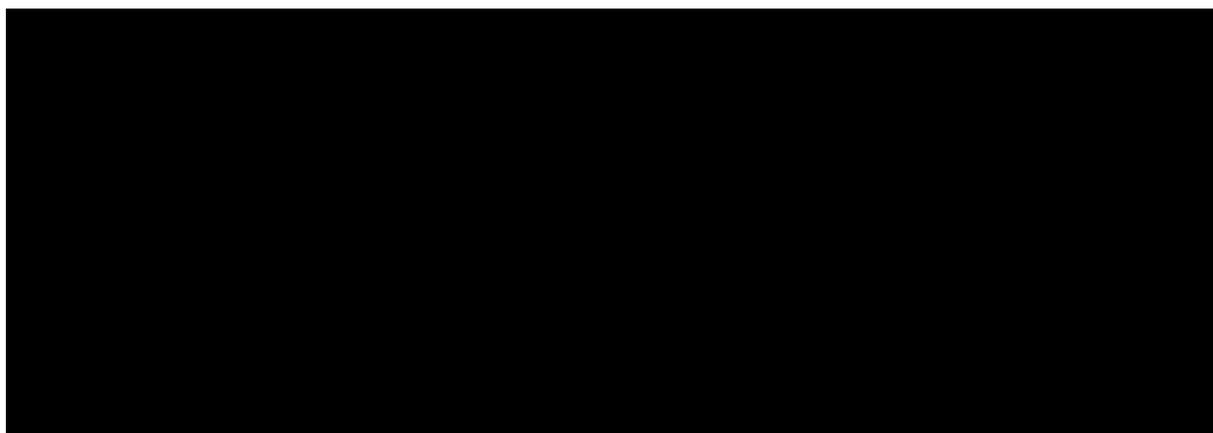
The final selection is consistent with SDG&E's solicitation needs as identified in its Business Plan. SDG&E sought a comprehensive program that would serve the needs of its Large Commercial customer segment and the selected program meets this need.

### 6.2 Bid Selections Provide Best Overall Value to Ratepayers

#### 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.”<sup>27</sup> During the solicitation process, the IEs' roles expanded to include providing IOUs and the PRG advice and feedback on ways to improve the efficiency and effectiveness of the solicitation process.

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



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

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<sup>27</sup> Decision 18-01-004, pp. 37-38.

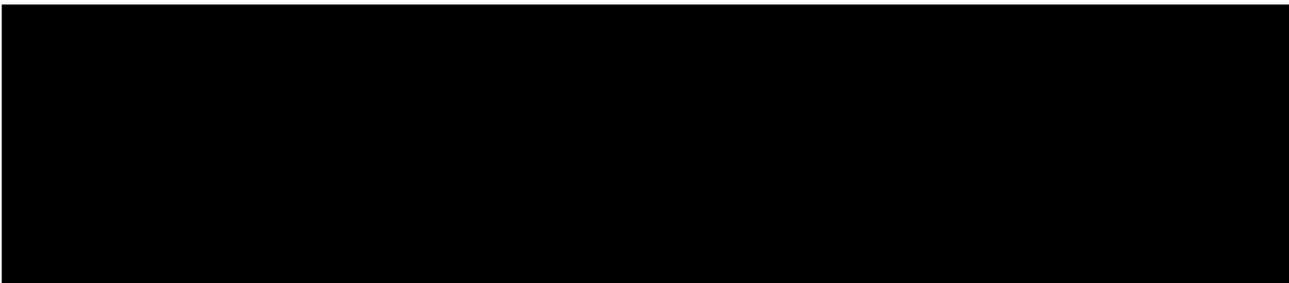
In the interest of providing context for the selected bids, we have compared quantitative aspects of the selected program to SDG&E’s existing Commercial portfolio to understand whether, if successfully implemented according to plan, the program will improve the portfolio metrics and help enable the Company 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.

### **Brief Program Description**

[REDACTED] scored well in all stages of the solicitation process. As described in its contract, the [REDACTED] “provides end-to-end program implementation services, including marketing, outreach, engineering, operations, customer service, and data management and reporting, to large commercial electric and gas customers with a monthly demand greater than 20 kW in SDG&E’s service territory.” The program aims to improve EE penetration in the property management market, increase savings through an improved customer experience, and maximize savings and efficiency by executing new approaches.

### **Quantitative Program Information**

The following table shows a summary of the quantitative goal information extracted from the [REDACTED]. We have also provided for comparison ex-ante metric information from a combination of SDG&E’s 2019 Metrics and Supporting Documentation filing, the Company’s 2019 Energy Efficiency Annual Report and an average of 2018 and 2019 end-of-year claims from CEDARS.<sup>28</sup> We used 2019 end-of-year claims although 2019 electricity savings were significantly below 2018 results. The results do not exclude any individual programs. [REDACTED] Again, this is primarily to give the program context relative to SDG&E’s existing Commercial portfolio.



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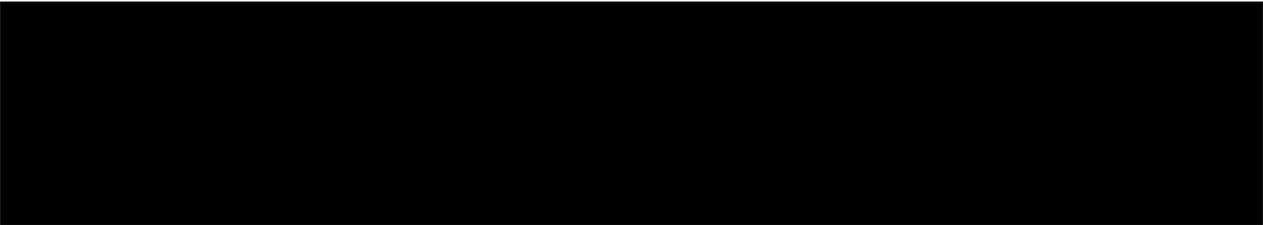
<sup>28</sup> Derived from “SDG&E 2019 Metrics and Supporting Documentation”, May 15, 2020 and 2019 End-of-Year CEDARS claims.

<sup>30</sup> Information from SDG&E’s entire portfolio is designated with an asterisk (\*).



### **Alignment with EE Planning Principles**

The [redacted] with California energy policies in helping achieve energy savings and other benefits in SDG&E's Commercial Sector. Specifically, the program aligns with Senate Bill 350's pursuit of doubling statewide EE savings by 2030.<sup>35</sup> The program incorporates a

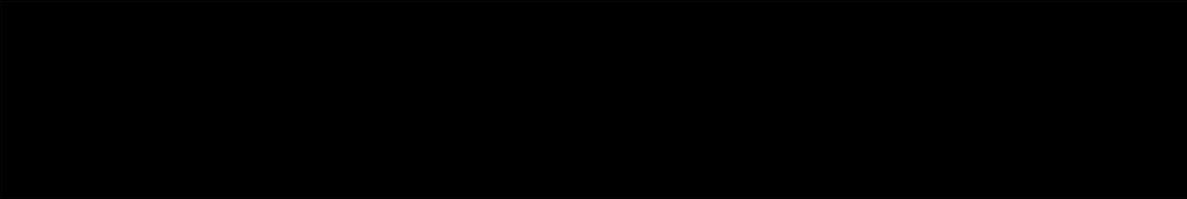


<sup>35</sup> SB 350 is the Clean Energy and Pollution Reduction Act of 2015.

multi-faceted approach to engaging customers and delivering savings through a network of trade allies and its own staff and subcontractors. The approach also includes audits, multiple financing options, and advanced analytics to identify and activate customers.

The selected program is more cost effective than SDG&E's existing Commercial portfolio (according to the 2019 results shown in Table 7.2) and, therefore, if successful at meeting its goals, would help increase SDG&E's overall portfolio TRC. Innovative features of the program include:

- A flexible incentive structure that aims to customize offerings to meet customers' required investment criteria,
- Customer and trade ally portals to ease participation,
- A project dashboard with real-time project status,
- An offering (Custom Express) that serves to simplify Custom measure applications and accelerate the approval process, and
- A focus on Data-Driven Program Management.



Further, based on the 2019 Navigant Market Potential Study,<sup>36</sup> the SDG&E Commercial Sector potential for 2021-2023 is approximately 99 million kWh and 1.75 million therms, of which about 71 percent of electricity savings and 67 percent of gas saving are attributable to Commercial rebate programs (the rest are attributable to Behavioral, Retro-commissioning and Operations-type programs (BROs)). The [REDACTED] percent of the corresponding Commercial Sector electric market potential for this period. The program's gas goals exceed the 2021-2023 gas market potential (2.3 million net therms vs. 1.75 million net therms). When combined with the Large Commercial contract's goals, the two programs exceed the market potential electric savings estimate by approximately 53 percent and gas savings estimate by 83 percent. This may indicate that the contract goals will be difficult to achieve, particularly if one considers that the market potential estimates include measures – such as HVAC, lighting, and others – that may be part of statewide programs and, therefore, will not be eligible for the Large and Small Commercial programs. The Market Potential study is in the process of being updated and it will be interesting to see how the contract goals align with updated estimates.

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<sup>36</sup> The study documents are available at: <https://www.cpuc.ca.gov/General.aspx?id=6442461220>.

## Measurement and Verification

A large portion of the program’s savings come from Custom and RCx measures. The program includes site-level NMEC measures. Approximately 23 percent of electricity savings comes from RCx measures, 57 percent from Custom (including NMEC), 12 percent from Deemed, and 8 percent Deemed Direct Install. The contract includes an extensive QA Plan (Attachment 6 of the contract) and a detailed M&V Plan (Attachment 13 of the contract). The QA Plan describes the processes the program will utilize to track incentives, conduct engineering reviews, inspect projects, and resolve customer issues. The M&V Plan provides detail regarding how NMEC projects will estimate and track savings, pre-screen projects, conduct project feasibility studies, collect data, monitor during the project period, and calculate and report savings. Both the QA Plan and the M&V Plan were thoroughly reviewed by SDG&E’s engineering and EM&V staff. [REDACTED] on this collaboration.

## Compensation

[REDACTED]

SDG&E proposed to [REDACTED]

[REDACTED]

The approach may present some challenges during contract implementation in that it requires detailed tracking and, frequent updates from a reliable data stream. SDG&E is in the process

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[REDACTED]

<sup>38</sup> Decision 18-01-004, p. 42. See also COL 22 of the same Decision and Decision 16-08-019, COL 59.

of configuring its systems to facilitate implementation, and we anticipate that the Company will be able to overcome challenges this may pose.

The Company's approach to compensation was [REDACTED] but envisioned payments based on delivered savings with no holdback. As discussed below, the contract's compensation structure [REDACTED]

[REDACTED] It also provides the contractor an opportunity to earn a bonus if they exceed goals. [REDACTED] we considered this acceptable given that the CPUC's Modifiable Contract Terms and Conditions (Attachment B of D.18-10-008) include payment terms that contemplate use of a "Performance Security" component.<sup>39</sup> Performance Security is an amount of the contract that is held back and released based on contractor performance. [REDACTED]

The base payments portion of the contract that is associated with energy savings does not designate the portion that [REDACTED]. In other words [REDACTED]

[REDACTED] As presented in its budget, approximately [REDACTED] percent of the total budget is anticipated to go to customer incentives while [REDACTED] percent is for Direct Implementation Non-Incentive costs. Administrative and Marketing & Outreach costs are estimated to be [REDACTED] percent and [REDACTED] percent of the total budget, respectively.

[REDACTED]

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<sup>39</sup> Decision 18-10-008, Attachment B, p. B-9.

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 and other contract objectives. Although the contractor does bear a fair amount of risk for non-performance, relative to other metrics, the performance-based portion of their compensation is balanced between achieved energy savings and TRC and KPI metrics. As mentioned, important to both the contractor and to SDG&E, [REDACTED]

Given the risk that contractors will bear, we would have expected to see implementers propose higher payment rates to compensate for this risk. However, at least with respect to this contract negotiation, this did not appear to happen. That said, at the contractor's request, SDG&E reduced the portion of compensation associated with the cost effectiveness and KPI performance payments, shifting a higher percentage to base payments.

The agreed-upon approach to compensation certainly shifts a large amount of risk to the implementer in that their programs must both produce verifiable energy savings and collect holdback amounts, meet savings, cost effectiveness, and KPI goals. As discussed earlier, although we consider the approach permissible per D.18-10-008, it remains unclear how it will manifest in practice. If contractors are unable to meet their goals for whatever reason, they will likely seek redress from SDG&E. The contract does contemplate this possibility by allowing either party to request to revisit terms if the CPUC changes SDG&E's cost effectiveness requirements.

[REDACTED]

For simplicity, we assumed five different scenarios: 1) exceeds all goals [110 percent of savings], 2) meets goals [100 percent of savings], 3) falls just short of savings goal [90 percent of savings], 4) falls short on savings and TRC goals [80 percent of savings], and 5) misses on all goals [70 percent of savings]. It is unlikely that any of these scenarios will play out exactly as described; however, this gives a picture of how the compensation approach would work in practice. Importantly, this thought exercise assumes that the contract follows these scenarios for all three years, something which is also unlikely.

We describe these scenarios in more detail below.

1. [REDACTED]

2. [REDACTED]

- 3.
- 4.
- 5.

As shown in the table, reductions in savings achievements do not have an appreciable effect on \$/kWh, \$/therm or \$/lifecycle mmBTU, largely because the compensation is almost entirely performance based. The acquisition cost values somewhat counterintuitively decrease from

As mentioned, payments to the contractor are associated with bands rather than a sliding scale. In other words, if the contractor does not meet the established target TRC range or overall KPI score range, their compensation amount per kWh and therm drops down to the next compensation band which is lower on a \$/kWh and \$/therm basis. In the case of Scenario 5, since we assumed that the contractor also does not achieve a KPI score of 2,

Associating such a large portion of the compensation with KPI and will certainly increase both SDG&E's and on these elements. Providing the Implementer an opportunity to earn a meaningful amount of additional compensation above the base contract level will provide additional motivation to exceed the established goals. It remains to be seen how this approach to compensation will work but we are hopeful that it will encourage even greater collaboration between the Company and its implementers.

## Supports portfolio and applicable sector metrics achievements

The program’s KPIs generally align well with SDG&E’s portfolio and sector metrics. Table 7.3 below shows the KPIs from the contract and how each aligns with the Company’s Portfolio and Commercial Sector metrics. The metrics are from SDG&E’s “2019 Metrics and Supporting Documentation” filing. Although, in some cases, the KPIs are not an exact match with portfolio or segment metrics, all support the metrics in some way (e.g. kWh Goal and Expenditure Alignment supports savings targets, Marketing Campaign Efficacy support savings targets and HTR/DAC metrics, etc.).

Contract KPI	Portfolio Metric	Commercial Segment Metric
Program Performance: kWh Savings	Yes	Yes
Program Performance: kW Savings	Yes	Yes
Program Performance: Therm Savings	Yes	Yes
Program Performance: TRC Ratio	Yes	Yes
Financials/Savings: kWh Goal & Expenditure Alignment	No	No
Financials/Savings: kW Goal & Expenditure Alignment	No	No
Financials/Savings: Therm Goal & Expenditure Alignment	No	No
Program Performance: Program Inspections	No	No
Marketing: Campaign Efficacy	No	No
Customer Satisfaction: Survey Scoring	No	Yes
Customer Satisfaction: Complaints Received	No	No
Compliance: Reporting Accuracy	No	No
Compliance: HTR/DAC Penetration	Yes	Yes <sup>40</sup>

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

<sup>40</sup> SDG&E’s Commercial Sector metrics include an HTR target but not a DAC target.

## 7. Reasonableness of Contracting Process

### 7.1 Collaboration on Final Program Design and Scope

The bidder's proposed program design did not change substantially from proposal to contract. SDG&E increased the budget from [REDACTED] because of the expectation of full performance years. We believe the collaboration with [REDACTED] met D.16-08-19's definition of a third-party program in that the program was proposed and designed and will ultimately be implemented and delivered by non-utility personnel. 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]

Specifically, SDG&E [REDACTED] on the final program design in terms of more clearly defining the role Trade Allies play in the program, clarifying KPIs, ensuring that the program's M&V and QA Plans were complete, and better defining the program's flex incentives approach. [REDACTED] would play in the program, namely that it would enable installation of controls and other technologies to enhance EE measures and incorporate EE/DR integration features.

### 7.2 Fairness of Negotiations

We believe the contract negotiations were fair and did not require the bidder to incur any uncompensated costs. The contract negotiation process for this program took approximately three months. There was no evidence of positive or negative bias [REDACTED] during contract negotiations. As discussed in the compensation section, we believe the compensation fairly balances risk between the Implementer and the IOU.

### 7.3 Changes to Contract Terms & Conditions

There were some issues with respect to changes to the CPUC's Modifiable Contract Terms and Conditions and SDG&E's corporate Terms and Conditions. The CPUC's Standard Contract Terms and Conditions were adopted, unchanged.

The specific issues related to SDG&E's Terms and Conditions included:

- [REDACTED] This issue was resolved with clarification in terms that "Contractor Parties" would not include any contractors that utility customers hire for the performance of direct installation work to perform installations unless any such contractor is in the implementer's trade ally or trade professional network or program.
- Force majeure provisions and opportunities for relief in the event of non-performance due to events (such as COVID-19) - SDG&E also incorporated language in the contract to indicate that, if the CPUC provided SDG&E relief from its goals (savings, cost effectiveness), these could allow revisions to such requirements in the contract.

We considered these reasonable changes to the contract Terms and Conditions.

### 7.4 Conformance with CPUC Policies and Objectives

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

Noted No Changes to CPUC Standard Contract Terms and Conditions.	Yes
Changes to CPUC Modifiable Contract Terms and Conditions – Changes Were Reasonable	No changes to Modifiable Contract Terms and Conditions other than SDG&E’s revisions to adapt the document for contracting purposes.
Changes to IOU Terms and Conditions – Changes Were Reasonable	SDG&E’s Terms and Conditions focused on drawing distinctions between elements (indemnification warranties etc.) [redacted] would apply [redacted] that would participate in the program. As of this writing, discussions are continuing but we expect the two parties to resolve their differences.
Contract Is Consistent with CPUC Incentive Guidelines	Meets the following: 1. incentives should generally be calculated on a net lifecycle savings basis, 2. incentives should generally be tiered to promote increasing degrees of efficiency above code (applicable to Deemed rebates), and 3. incentives are strategically targeted at commercially available products that offer higher and highest degrees of efficiency and quality.
KPIs are Well-Developed and Include Appropriate Performance Issue Remedies	The number of KPIs is [redacted]. They also have clear methods of measurement, frequency of review, and remedies for unsatisfactory performance. [redacted]
Role Subcontractors Will Play is Clear	[redacted] descriptions of subcontractor activities to make the roles clearer.
Innovative Aspects of Program Are Retained	<p>Innovative aspects in proposal include:</p> <ol style="list-style-type: none"> <li>1) flex incentives (retained)</li> <li>2) customer and trade ally portals (retained)</li> <li>3) project dashboard with real-time project status (retained)</li> <li>4) program management, tracking and reporting system (retained)</li> <li>5) Custom Express (retained)</li> <li>6) Data Driven Program Management (retained)</li> </ol>

If Applicable, IDSM Components Incorporated, if Relevant, IDSM Budget is Clearly Assigned.	Section 4.4.10 of the SOW discusses DR integration. Section 4.4.4. discusses Customized Energy Plans that include IDSM features. The contract does not include a separately identifiable budget for IDSM.
If Applicable, Program Considerations for HTR Customers Are Incorporated and Are Consistent with Proposal	Based on the target market, program will not serve many HTR (designated small business) customers. It was decided to evaluate both HTR customers and projects in DACs together.
If Applicable, Program Considerations for DACs are Incorporated and are Consistent with Proposal	Has a KPI that designates 100 percent performance based on achieving a 14 percent penetration rate (percent of total savings designated for HTRs/within DACs).
Contractor is Diversified Business Enterprise (DBE)/Committed DBE Spend	[REDACTED] The implementer commits to spend 7.2 percent of the total program budget on DBE subcontractors.
Contract Clearly Addresses DAW Requirements	The contract relies upon the requirements in the CPUC's Modifiable Contract Terms & Conditions (specifically Section D.c.) which requires that the program's IP incorporate DAW Requirements.
Changes Made Due to COVID-19	SDG&E incorporated language that potentially designates COVID-19, if certain conditions are met, to be a force majeure event.

### 7.5 Uniformity of Contract Changes

SDG&E only negotiated [REDACTED] to serve the Large Commercial Sector; however, the Company did run its contract negotiations for Small Commercial at the same time. SDG&E treated the [REDACTED] and the contracts consistently between [REDACTED] solicitations.

## 8. Conclusion

SDG&E's Large Commercial Solicitation was successful at selecting a program and contractor that should serve the Company and its customers well. Overall, we believe SDG&E conducted this solicitation fairly, transparently, and without bias.

The Commercial Sector in general is very important for SDG&E's EE portfolio and successful execution of this contract will play a significant role in the Company's ability to meet its and the State's EE objectives. The process that produced this program and the contract that will guide its implementation were well developed. It should help SDG&E to effectively deliver EE and other Distributed Energy Resource services to its customers and help meet its Business Plan goals, the State's SB 350 goals, the California Energy Efficiency Strategic Plan's vision, and ultimately California's efforts to reduce carbon dioxide emissions.

Energy Efficiency Independent Evaluators' Semi-Annual  
Report on the

## **Local Multifamily Residential Solicitation**

Reporting Period: April 2020 through September 2020

*Prepared by:*  
MCR Corporate Services



**Disclaimer:** This report includes highly sensitive and confidential information.

# LOCAL MULTIFAMILY RESIDENTIAL<sup>41</sup>

## 1. Solicitation Overview

### 1.1 Overview

SDG&E's Residential Multifamily solicitation is focused on contracting with third parties to propose, design, implement, and deliver new EE programs that service the residential multifamily sector. SDG&E identified this sector as a major focus for its residential EE efforts. SDG&E's Business Plan identified several barriers to increasing EE participation in the multifamily sector and provided specific residential sector metrics.

SDG&E is conducting this solicitation using the two-stage process, as recommended. The RFA and RFP stages of the solicitation are now complete, and the solicitation is moving into the contract negotiation stage as of the writing of this report.

### Scope

As presented in SDG&E's Residential Multifamily RFA, "Company is seeking comprehensive and innovative EE Program abstracts from non-utility companies for the Residential Sector serving Residential Multifamily customers. The Residential Multifamily segment is defined as residential customers in apartment and condominium complexes with two or more dwelling units, manufactured-mobile homes as well as the common areas of both."<sup>42</sup>

### Objectives

As presented in SDG&E's RFP, "SDG&E is offering this solicitation to implement third-party EE programs ("Programs") that reliably capture and document deep, durable, comprehensive, and cost-effective energy (kWh, kW and/or therm) savings applicable to the Residential Multifamily Sector ("Solicitation")."<sup>43</sup>

### 1.2 Timing

Table 1.1 lists key milestones for this solicitation.

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<sup>41</sup> As noted, Sections 2-5 of this report were previously reported in earlier Semi-Annual Independent Evaluators' Reports (July 1, 2019; January 7, 2020; June 30, 2020).

<sup>42</sup> SDG&E Residential Multifamily RFA, December 4, 2018, at p. 5.

<sup>43</sup> SDG&E Residential Multifamily RFP, July 26, 2019, at p. 6.

Table 1.1: Key Milestones	
Milestones	Completion Date
<b>RFA Stage</b>	
RFA Released	December 4, 2018
Bidder Conference	December 13, 2018
Abstracts Due	January 3, 2019
Calibration Meeting	February 7, 12, and 20, 2019
Shortlist Presented to PRG	March 12, 2019
<b>RFP Stage</b>	
Optional Bidder Conference	June 28, 2019
Proposals Due	August 28, 2019
Bidder Interviews	February 14 and 19, 2020
Proposal Review Period Ends	March 3, 2020
Shortlist Presented to PRG	March 10, 2020
<b>Contracting Stage</b>	
Notification of Selection	March 18, 2020
Contract Execution	June 30, 2020
Advice Letter Filing to CPUC	August 12, 2020
CPUC Approval of Advice Letter	September 14, 2020
Notice To Proceed Issued	September 14, 2020

The solicitation activities described in this report include contract negotiations with the selected bidder, execution of the final negotiated contract, and submittal of the Advice Letter for approval. This report also presents the IE’s assessment of the selected bid and the contracting process.

### 1.3 Key Observations

Table 1.2, below, identifies key issues and observations, the IE recommendations for each, and SDG&E’s response to each recommendation. This table was included in previous Semi-Annual Reports but is presented here for context.

Table 1.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
IE/PRG Comment Tracking	There needs to be consistent process for capturing all IE and PRG comments about solicitation documents and processes.	Record all IE/PRG comments/recommendations in a tracker that includes the ability to record IOU actions taken in response.	SDG&E implemented this recommendation and now captures IE/PRG comments and recommendations in a tracker.
IE-IOU Coordination	There is no mechanism currently established for SDG&E's IE pool to cross-pollinate and to share lessons learned.	Establish a monthly IE-IOU coordination meeting that will improve communication among IOU and IEs and enable active discussion of PRG agenda, presentations, review schedules, emerging common/crossover issues/challenges.	SDG&E implemented this recommendation by initiating monthly meetings with the IE pool.

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

**2. Solicitation Outreach and Bidder Response**

**2.1 Bidder Response to Solicitation**

Bidder Response to the Solicitation was addressed in the November 2019 through March 2020 Semi-Annual Report.

## **2.2 Bidder's Conference and Q&A**

The RFA Bidder's Conference and Q&A were addressed in the October 2018 through April 2019 Semi-Annual Report. The RFP Bidders' Conference and Q&A were addressed in the November 2019 through March 2020 Semi-Annual Report.

## **2.3 Solicitation Design Assessment**

Solicitation Design Assessment was addressed in the May 2019 through October 2019 Semi-Annual Report.

# **3. RFA and RFP Design and Materials Assessment**

## **3.1 RFA Design Requirements and Materials**

The RFA Design Requirements and Materials were addressed in the May 2019 through October 2019 Semi-Annual Report.

## **3.2 RFP Design Requirements and Materials**

The RFP Design Requirements and Materials were addressed in the May 2019 through October 2019 Semi-Annual Report.

## **3.3 Response to PRG and IE Advice**

The IOU's Response to PRG and IE Advice regarding RFA and RFP Design and Materials was addressed in the May 2019 through October 2019 Semi-Annual Report.

# **4. Bid Evaluation Methodology Assessment**

## **4.1 Bid Screening Process**

Bid Screening Processes were addressed in the November 2019 through March 2020 Semi-Annual Report.

## **4.2 Scoring Rubric Design**

The RFA Rubric Design was addressed in the October 2018 through April 2019 Semi-Annual Report. The RFP Scoring Rubric Design was addressed in the November 2019 through March 2020 Semi-Annual Report.

## **4.3 Evaluation Team Profile**

The RFA Evaluation Team Profile was addressed in the May 2019 through October 2019 Semi-Annual Report. The RFP Evaluation Team Profile was addressed in the November 2019 through March 2020 Semi-Annual Report.

## **4.4 Response to PRG and IE Advice**

Response to PRG and IE Advice about RFA Bid Evaluation Methodologies was addressed in the May 2019 through October 2019 Semi-Annual Report. Response to Advice about the RFP Bid Evaluation Methodologies was addressed in the November 2019 through March 2020 Semi-Annual Report.

## **5. Final Bid Selection Assessment**

### **5.1 Conformance with Established Evaluation Processes**

Conformance with Established Evaluation Process in the RFA Stage was addressed in the May 2019 through October 2019 Semi-Annual Report. RFP Stage Conformance was addressed in the November 2019 through March 2020 Semi-Annual Report.

### **5.2 Shortlist and Final Selections**

Shortlist and Final Selections were addressed in the November 2019 through March 2020 Semi-Annual Report.

### **5.3 Affiliate Bids and Conflict of Interest**

Affiliate Bids and Conflicts of Interest of the RFA and RFP were addressed in the November 2019 through March 2020 Semi-Annual Report.

## **6. Assessment of Selected Bid**

### **6.1 Bid Selection Responds to Portfolio Needs**

All [REDACTED] bidders' proposals conformed to SDG&E's solicitation needs as stated in the Solicitation documentation and goals outlined in the SDG&E's 2018-2025 EE Business Plan. Additionally, SDG&E's shortlist selections adhered to PRG contractor selection recommendations as defined in the EE PRG Contracting Guidelines document (Version 2.0, December 2019 [Draft]).

### **6.2 Bid Selection Provides the Best Overall Value to Ratepayers**

#### **Introduction**

SDG&E selected [REDACTED] for contracting after a long, intensive, and comprehensive solicitation process. To make its decision, SDG&E considered all aspects of the bidders' submittals. In addition to program economics and impacts, SDG&E's evaluators looked at more difficult to assess qualities, such as program innovation, impacts on DAC and HTR, and whether the program addressed the State's policy initiatives. The IE is satisfied with the process taken by SDG&E to select the

[REDACTED] and feels that the [REDACTED] in addition to being consistent with the goals stated in SDG&E's Business Plan, provides the best overall value to ratepayer.

### **Brief Program Description**

[REDACTED] is a turnkey, ZNE solution that provides cost-effective energy savings in the residential multifamily and manufactured mobile home segments. By coordinating with SDG&E's single point of contact (SPOC), [REDACTED] a common pathway for additional information about residential statewide programs, time-of use strategies, and SDG&E's other EE programs. [REDACTED] approach starts at the top and works its way down (Top Down Approach) to get the buy-in from multifamily and mobile home community property owners and operators. After their buy-in, residents are approached to open the entire community for EE participation instead of a few residents participating. IDSM is made possible by installing direct install technologies and enrolling customers in SDG&E DR programs in one visit.

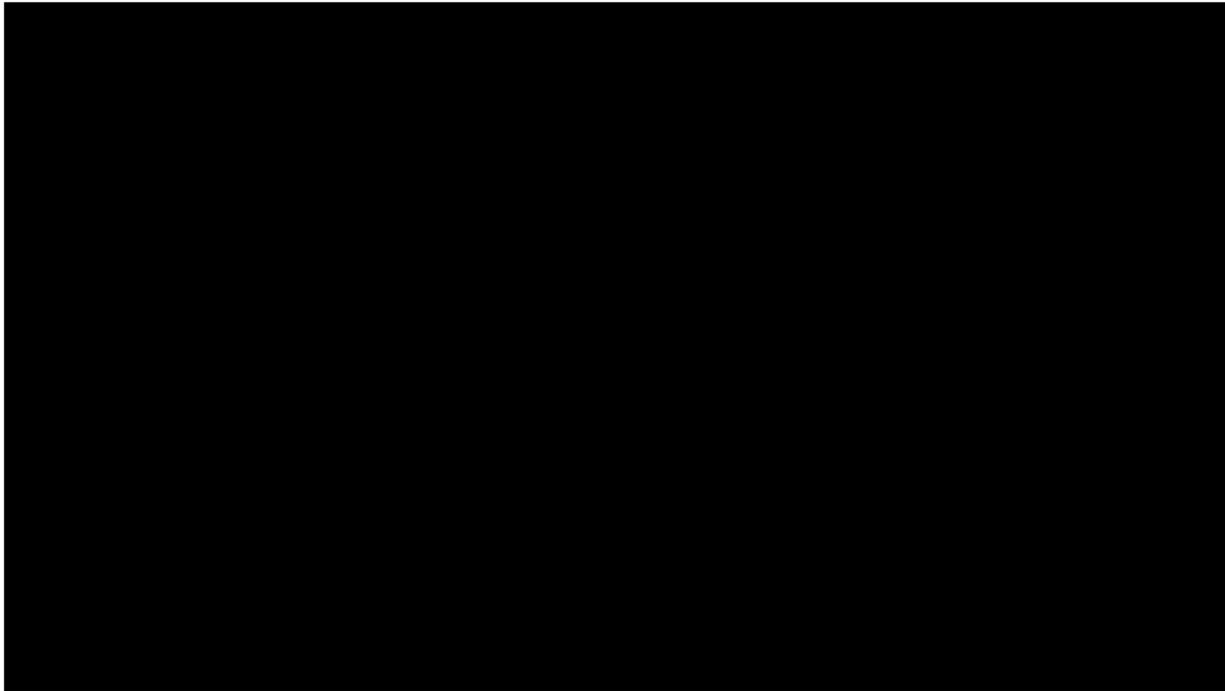
### **Quantitative Program Information**

Table 6.1 summarizes contract [REDACTED]



DAC and HTR Customers
[REDACTED]

[REDACTED] differs from past programs in two key respects: [REDACTED] cost-effective, direct install experience for the customer, rather than a transactional experience, where the contractor is in-and-out. [REDACTED] and then guide the customer to the final destination. [REDACTED] which is SDG&E's current multifamily program. The MFEER Program has been operated for SDG&E since 2016 by Synergy.



## Measurement and Verification

The [REDACTED] on leveraging measures from the latest CPUC-approved deemed measure portfolio list. However, given the unique opportunity to bring innovative solutions to help solve SDG&E's goals, the [REDACTED] to create a pathway where newly proposed solutions, not in existing EE programs, are introduced using the NMEC approach to help instill confidence in the energy savings method for these newly proposed innovative measures.

The site-level, meter-based approach is suitable for the [REDACTED] because no robust and relevant field data exists for the newly proposed innovative measures today. [REDACTED] collection procedures compliant with project energy savings estimates and supporting information that is consistent with the requirements set forth by AB 802 and the CPUC. [REDACTED] to use a population-level approach currently.

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<sup>44</sup> CEDARS (Prog ID: SDG&E3207); <https://cedars.sound-data.com/>.

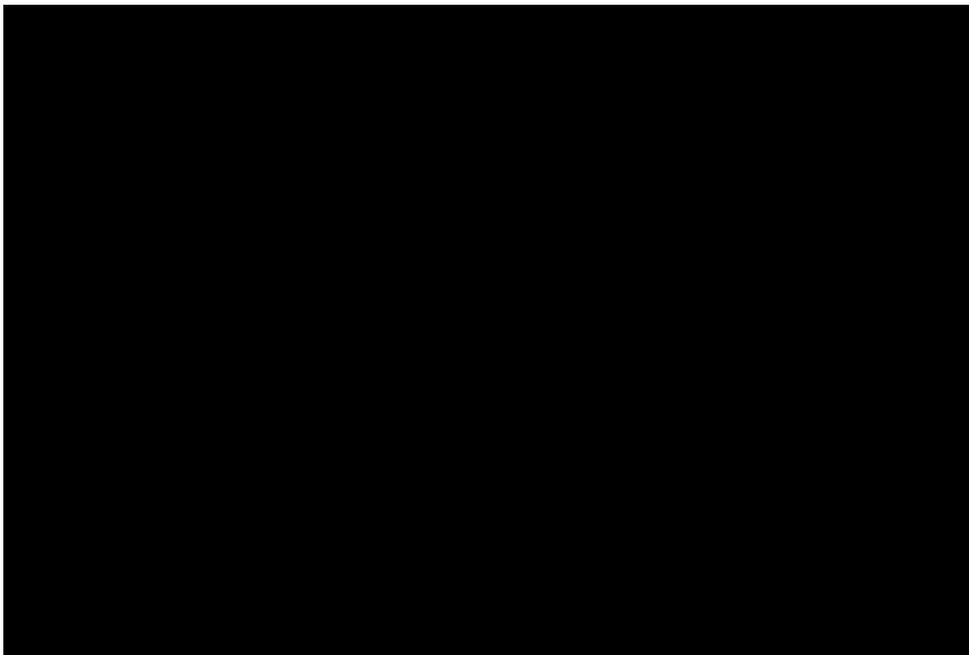


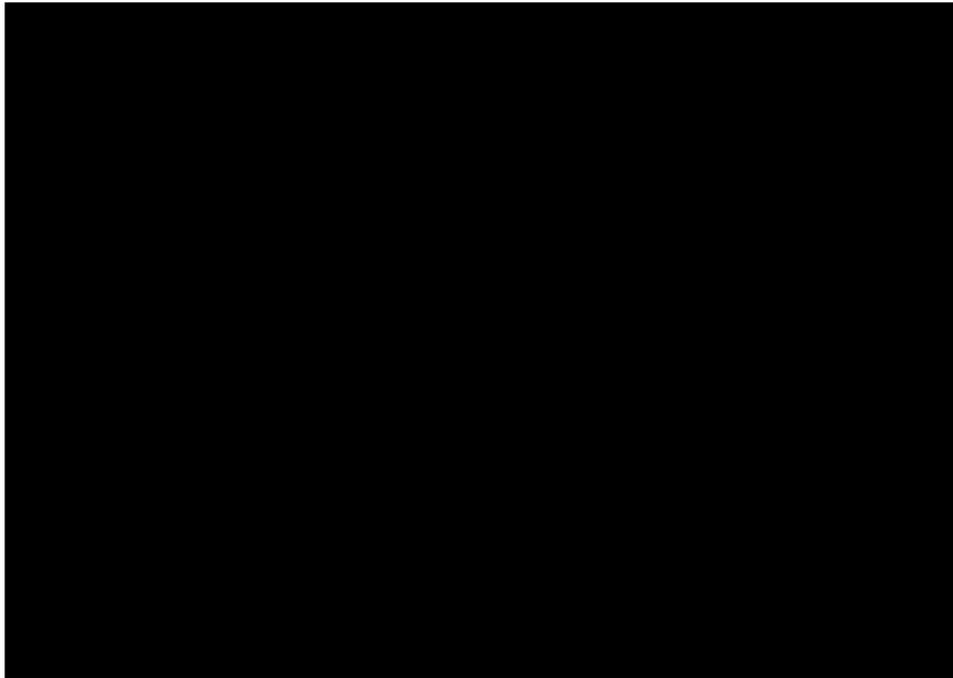


Each of the 13 KPIs receives a score. Generally, the KPI scores are based on a 0–4 scale, as follows:

- 0: Unsatisfactory
- 1: Below expectations
- 2: Meeting Expectations
- 3: Exceeding Expectations
- 4: Greatly exceeding expectations

The overall KPI is computed by summing the products of the 13 individual KPIs and their weights. The resulting Overall KPI will also have a value from 0–4.





For the annual compensation, [REDACTED] percent to the monthly base rate for each the TRC and overall KPI. As shown above in the shaded boxes in Figure 2 and detailed in Table 6.4, below, the annual awards increase up to five percent, depending on [REDACTED]

**Table 6.4: Annual TRC & KPI Bonus Thresholds and Bonus Amounts**

Annual TRC	Bonus Adder	Annual Overall KPI	Bonus Adder
1.30			
1.29			
1.28			
1.27			
1.26			

**Supports Portfolio and Applicable Sector Metrics Achievements**

The measure mix for [REDACTED] appears well-rounded, consisting of HVAC, lighting, water heating, and pool pumps. Most of the electric savings will result from the HVAC measures, while nearly all the gas savings will result from the water heating measures.

The Program’s KPIs align well with SDG&E’s portfolio and sector metrics. Many of the KPIs found in Table 7.4 are included in SDG&E’s Advice Letter 3267-E/2700-G, Appendix D.

[REDACTED] on any of the KPIs with a score of “1” for two consecutive quarters, SDG&E may take Standard Corrective Actions, up to and including closing the Program.

## 7. Reasonableness of Contracting Process

### 7.1 Collaboration on Final Program Design and Scope

From start to finish, the contract negotiations between [REDACTED] were cooperative, positive, and open. [REDACTED] target of presenting the final Multifamily contract to the EE PRG at its June 9, 2020 meeting and worked cooperatively towards that goal.

[REDACTED]

[REDACTED]

Technical staff from both parties worked through M&V Plan comments and edits via email and by phone to clarify points and ensure common understanding of plans and methodologies, especially as they related to the CPUC NMEC Rulebook and Lawrence Berkeley National Laboratory (LBNL) Site-Level NMEC Technical Guidance documents. [REDACTED]

In between the regular conference calls that occurred about two times per week [REDACTED] [REDACTED] make progress by exchanging Q&A by email.

At no time during contract negotiations did [REDACTED] express any concerns regarding the discussions and negotiations, since both parties wanted to ensure the other was comfortable with and fully understood what each was proposing.

### 7.2 Fairness of Negotiations

The IE observed nothing during the negotiation process to indicate that the negotiations were anything other than fair and transparent. Both parties worked cooperatively and diligently to settle the few differences that arose, which resulted in the negotiations being completed in 73 days.

### 7.3 Changes to Contract Terms & Conditions

no redlines, so both the CPUC’s Standard Contract Terms and Conditions and the Modifiable Terms and Conditions were adopted, unchanged.

### 7.4 Conformance with CPUC Policies and Objectives

Table 7.1 summarizes the alignment of the with CPUC Policies and Objectives.

Table 7.1:			
Element / Requirement	Yes	No	IE Comments
The contract includes all CPUC standard and modifiable contract terms	✓		Included in full. No redlines by either party.
No modifiable contract terms and conditions (or Term Sheet) proposed by SDG&E conflicted or otherwise undermined the meaning or intent of the CPUC terms and conditions for TPI EE programs.	✓		No modification by SDG&E.
As required, SDG&E included standard contract language in the same geographic area.	✓		Included Section G from Required Modifiable Terms and Conditions.
As required, SDG&E incorporated all applicable CPUC decisions and direction, and considered PRG RFA/P Guidelines, in the development of the contract.	✓		SDG&E incorporated IE recommendations related to applicable CPUC decisions and direction and PRG RFA and RFP Guidelines.
Does the contract include an assignability clause (stating that winning bidders will contract with the IOU or its successors and assignees) to ensure that programs can continue to operate smoothly in the event of a restructuring or bankruptcy?	✓		Included in Section 24 of Schedule A.
Does the contract comply with state law and the Contractors State License Board subcontractors hold valid contractor’s licenses applicable to their program for contract execution and advice letter approval?	✓		Included Section A from Required Modifiable Terms and Conditions.
Does the contract address: KPIs, other performance matrix (e.g., innovation, etc.), payment terms, program-level M&V requirements (including the use of NMEC), and include a DAW plan?	✓		Included in Attachments 1, 7, and 13, and Schedule C.
During contract negotiations, did SDG&E stay true to its established process?	✓		Overall, SDG&E stayed true to its established process.

Table 7.1: [REDACTED]			
Element / Requirement	Yes	No	IE Comments
Was the final contract based on the proposed program?	✓		Only minor variations in details.
[REDACTED]			
Do the final budget and savings goals match those of the proposed program?	✓		Overall, final budget and goals are very close to the proposed values.
[REDACTED]			
Were negotiations transparent? (For example, SDG&E set clear expectations with bidder, all negotiations were monitored by the IE, and no conflict of interest issues were raised.)	✓		Expectations were discussed at the Negotiations Kick-Off Meeting and all subsequent communications were proper and conducted with the IE monitoring.

### 7.5 Uniformity of Contract Changes

This section does not apply, as SDG&E entered and completed contract negotiations with [REDACTED]

## 8. Conclusion

The Multifamily solicitation had some minor issues along the way, but that was to be expected given that this was only the third solicitation for SDG&E. Many of the issues encountered and the lessons learned have been incorporated into later solicitations and become best practices. The solicitation’s timeline also suffered due to some of the issues encountered.

While the number of abstracts received was disappointing, the quality of most submittals was generally very good. The Multifamily solicitation resulted in a contracted program that appears will provide cost-effective energy savings in the residential multifamily and manufactured mobile home segments that encourages these customers to move towards ZNE.

In our view, because the solicitation process was conducted fairly and transparently [REDACTED] represents the best from among the Multifamily solicitation submittals. By extension, it also provides the best overall value to ratepayers.

Energy Efficiency Independent Evaluators' Semi-Annual  
Report on the

## **Statewide Upstream and Midstream Heating Ventilation and Cooling (HVAC) Solicitation**

Reporting Period: April 2020 through September 2020

*Prepared by:*  
The Mendota Group, LLC



**Disclaimer:** This report includes highly sensitive and confidential information.

# STATEWIDE UPSTREAM AND MIDSTREAM HEATING VENTILATION AND COOLING (HVAC)

## 1. Solicitation Overview

### 1.1 Overview

SDG&E’s first Statewide solicitation is the Statewide Upstream and Midstream HVAC Program. During the period covered by this report, SDG&E was preparing contract documents and conducting contract negotiations with the selected bidder. Therefore, unless specifically mentioned, all solicitation references in this report relate to Contracting. The RFA stage of the solicitation was covered in the October 2018 through April 2019 Semi-Annual Report and the RFP stage was covered in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

### Scope

Pursuant to CPUC D.18-05-041, SDG&E, on behalf of the Statewide IOUs, is seeking bids from third-party EE implementers to design, propose, and implement Statewide upstream HVAC program(s). The scope of the Statewide HVAC program includes one or more programs that primarily use upstream and midstream delivery channels (a limited amount of downstream is permitted) to deliver reliable, cost effective heating, ventilation and air conditioning energy (kWh, kW, and therm) savings in the residential and commercial sectors. The program does not include designs that address HVAC needs of the industrial and agricultural sectors for process heating or cooling. The annual budget for the three-year contract is designated [REDACTED] which may be divided among multiple winning bidders.

### Objectives

The solicitation’s objective is to select one or more bidders to implement Statewide third-party EE programs that, on behalf of the Statewide IOUs, reliably capture and document cost effective energy (kWh, kW and/or therm) savings for heating, ventilation, and air conditioning end uses in residential and commercial applications.

### 1.2 Timing

Table 1.1 below includes key milestones for this program solicitation

Table 1.1: Key Milestones	
Milestones	Completion Date
<b>RFA Stage</b>	
RFA Release	January 7, 2019
Abstracts Due	February 7, 2019

Table 1.1: Key Milestones	
Milestones	Completion Date
Abstract Scoring	February–March, 2019
Bidders Notified (RFP)	April 24, 2019
<b>RFP Stage</b>	
RFP Release	September 4, 2019
Proposals Due	October 14, 2019
Proposal Scoring	October–December 2019
Bidders Notified (Interview)	January 31, 2020
Interviews	February 20-24, 2020
<b>Contracting Stage</b>	
Bidders Notified (Contract)	March 26, 2020
Contract Negotiations	April–September 2020
Contract Signed	TBD

### 1.3 Key Observations

Table 1.2 provides the IE’s key issues and observations related to the Statewide HVAC solicitation.

Table 1.2: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)

Table 1.2: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
CET Review	At the RFP stage, SDG&E did not assess the quality of bidders' CETs and did not provide any opportunity for bidders to "cure" (correct mistakes) the CET portion of their proposals. SDG&E expressed Legal concerns about providing bidders specific feedback and assessing the quality of CETs.	SDG&E should incorporate into its solicitation process a way to provide bidders feedback and allow them to correct their CETs. The CET plays a very important role in the RFP stage and it is important to ensure that bidders are proposing reliable, high-quality cost effectiveness assumptions.	SDG&E adopted this change. As part of the interview process, SDG&E provided feedback to bidders and allowed them an opportunity to correct their CETs. These corrected CETs were used in evaluating bids in the Interview stage.
Bidder Interview Guidelines	Some bidders during previous solicitations did not follow instructions in terms of information that should be presented during the interview and how they should handle revisions to their CETs.	Provide bidders very clear guidelines for both the interview and CET changes. Consider penalizing bidders who do not follow instructions.	SDG&E adopted changes to its Statewide HVAC interviews that sought to address these issues.
Statewide Definition	Per request from ED staff, SDG&E modified RFP language to make it clear that, although the statewide program must serve all IOU service territories, offerings may differ by service territory where there are weather/climate differences to consider or where the characteristics of a particular region or locale are not well served by a uniform approach.	We recommended keeping this clarification in mind during final bidder selections.	SDG&E has sought to obtain additional information through interviews about how bidders' proposed program may differ across the state and how it might be possible to offer contracts to bidders with complementary programs.

Table 1.2: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)

**2. Solicitation Outreach and Bidder Response**

**2.1 Bidder Response to Solicitation**

No outreach was conducted as the Statewide HVAC solicitation is in the RFP stage. The solicitation outreach activities, communications, and solicitation design were originally addressed as part of the November 2019 through March 2020 Semi-Annual Report and the IE continues to believe that they have resulted in a robust, competitive solicitation. Table 2.1 describes the solicitation response at each stage:

Table 2.1: Solicitation Response	
	No.
Abstracts Expected	
Abstracts Received	
Abstracts Disqualified	
Proposals Expected	
Proposals Received	
Proposals Disqualified	

**2.2 Bidder's Conference and Q&A**

There were no bidder conferences or Q&A opportunities provided during the RFP scoring and Interview stage of the solicitation covered by this Semi-Annual Report. Details on the Bidder's Conference can be found in the November 2019 through March 2020 Semi-Annual Report.

## **2.3 Solicitation Design Assessment**

SDG&E's solicitation design met the program portfolio need as identified in the company's Business Plan and Solicitation Plan. The solicitation requested that bidders incorporate elements of the Business Plan, such as the importance of transitioning the Statewide HVAC program to work with manufacturers on designing more efficient technologies and the need to shift from a primarily distributor-stocking program to upstream (manufacturer) incentives, and that their proposals address barriers to customer participation and higher savings. The Statewide HVAC has been conducted as a two-stage process, consistent with the CPUC's D.18-01-004 and has consistently and actively involved the PRG and IE in all aspects.

## **3. RFA and RFP Design and Materials Assessment**

### **3.1 RFA Design Requirements and Materials**

The RFA stage of the Statewide HVAC solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report.

### **3.2 RFP Design Requirements and Materials**

The RFP stage of the Statewide HVAC solicitation was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

### **3.3 Response to PRG and IE Advice**

The Interview materials and overall process were well designed and provided fair treatment to bidders who advanced to the Interview stage.

## **4. Bid Evaluation Methodology Assessment**

### **4.1 Bid Screening Process**

The RFA stage of the Statewide HVAC solicitation was addressed in the October 2018 through April 2019 Semi-Annual Report and the RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports. Bidders selected from the RFP stage were invited to the Interview stage. The approach and methodology for evaluating bids worked well.

### **4.2 Scoring Rubric Design**

The RFA scoring rubric for the Statewide HVAC solicitation was discussed in the October 2018 through April 2019 Semi-Annual Report and the RFP scoring rubric was discussed in the May 2019 through October 2019 Semi-Annual Report.

## Interviews



### 4.3 Evaluation Team Profile

#### RFA and RFP

The Statewide HVAC solicitation RFA evaluation team profile was described in the October 2018 through April 2019 Semi-Annual Report. The Statewide HVAC solicitation RFP evaluation team profile was described in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

#### Interviews

The same individuals who participated in RFP reviews also participated in the interviews.

### 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 Statewide HVAC solicitation was addressed in the October 2018 through April 2018 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 Semi-Annual Report.

### 5.2 Management of Deficient Bids

The RFA stage of the Statewide HVAC solicitation was addressed in the October 2018 through April 2018 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports.

### 5.3 Shortlist and Final Selections

#### *a. Conformance with Established Evaluation Processes*

The RFA stage of the Statewide HVAC solicitation was addressed in the October 2018 through April 2018 Semi-Annual Report. The RFP stage was addressed in the May 2019 through October 2019 and November 2019 through March 2020 Semi-Annual Reports. The final selection from the Interview stage was consistent with SDG&E established evaluation process.

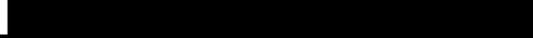
*b. Portfolio Fit*

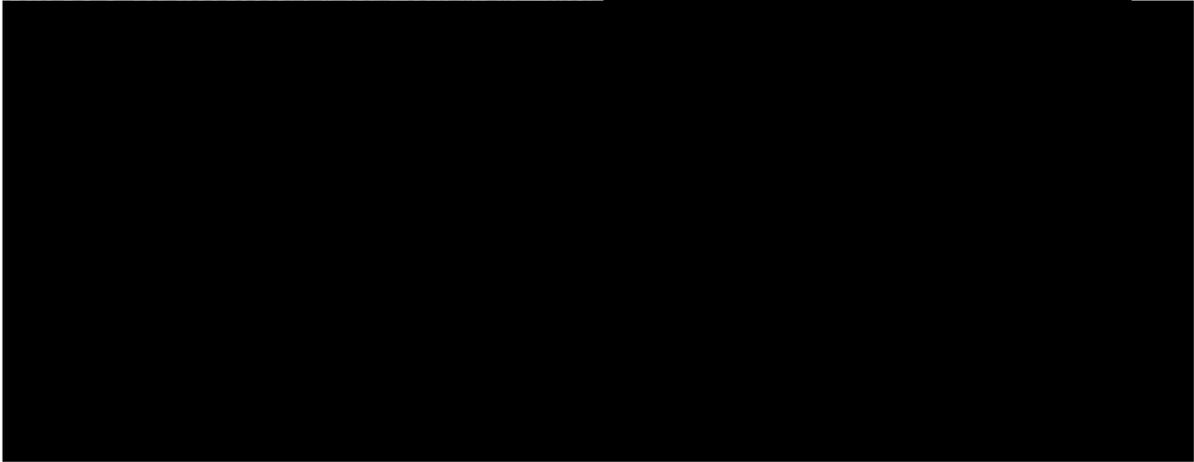
The Statewide HVAC solicitation was consistent with SDG&E’s Business Plan and the selected contractor met the objectives outlined in the Business Plan. Therefore, the selected program and contractor were good fits for SDG&E’s portfolio.

*c. Response to PRG and IE Advice*

The IE participated in Interview consensus scoring meetings with the evaluation team and found the discussions to be fair and thorough in determining which bidder to advance to contracting. The IE supported the decision to advance the bidder to contracting. The selected bid was discussed during the March 10, 2020 PRG meeting. The PRG did not object to SDG&E’s decision to advance the bidder to contract negotiations.

**5.4 Affiliate Bids and Conflict of Interest**

The IOU did not receive a bid from an affiliate. 



**6. Assessment of Selected Bids**

**6.1 Bid Selections Respond to Portfolio Needs**

This will be covered in the final solicitation report.

**6.2 Bid Selections Provide the Best Overall Value to Ratepayers**

This will be covered in the final solicitation report.

**7. Reasonableness of Contracting Process**

The contracting process is ongoing.

Energy Efficiency Independent Evaluators' Semi-Annual  
Report on the

## **Statewide Plug Load and Appliance Solicitation**

Reporting Period: April 2020 through September 2020

*Prepared by:*  
Don Arambula Consulting



**Disclaimer:** This report includes highly sensitive and confidential information.

# STATEWIDE PLUG AND LOAD APPLIANCE

## 1. Solicitation Overview

### 1.1 Overview

#### Scope

SDG&E sought proposals from third-party program implementers who wish to offer a comprehensive, innovative, and cost-effective turn-key Statewide Plug Load and Appliance (Statewide PLA) EE resource program to California IOU residential customers.

#### Objectives

Cost-effectiveness is an important element of all programs in the California IOU's EE program portfolios. It is the expectation of the IOU that the proposed program would help all California IOUs achieve related EE portfolio goals and metrics. Specifically, the selected program should provide energy savings for electric and/or natural gas for Program Years 2021 through 2023. The targeted [REDACTED] which may be divided among multiple winning implementers. However, the solicitation does not award overlapping program designs delivered in the same geographical area. Bidders were allowed to submit multiple bids to this solicitation; however, each bid had to be unique.

### 1.2 Timing

The Statewide PLA program solicitation was initially scheduled for release in Quarter 1 of 2019 as shown in the IOU Joint Solicitation Schedule presented to the bidder community on the [CAEECC site](#) in December 2018. The solicitation schedule was later revised by SDG&E in 2019. The RFA was released in May 2019. The IOU did not provide a reason as to why the solicitation was delayed. Also, the RFP release date was delayed by one month to address administrative issues. The Joint IOU Solicitation Schedule has been subsequently updated to reflect both the revised RFA and RFP release dates.

Due to significant changes by the CPUC to the avoided costs and to deemed measure assumptions for future years, the review and selection period was extended to allow bidders to incorporate these changes into their cost-effectiveness showings. As a result, the IOU has not completed their selection as of the end of this reporting period. Below is a list of key solicitation milestones. All revised milestone dates as of this reporting period were met or on schedule.

Milestones	Completion Date
<b>RFA Stage</b>	
1. RFA Released by Company	May 10, 2019
2. Bidder Conference	May 20, 2019

Table 1.1: Key Milestones	
Milestones	Completion Date
3. Bidder Questions Due	May 31, 2019
4. Responses to Bidder Questions	June 7, 2019
5. Bidder Submittal Due Date	June 21, 2019
6. Evaluation of Submittals	June 24 - September 20, 2019
7. Calibration Meeting Held	July 20 - July 21, 2019
8. Shortlist Meeting Held	August 22, 2019
9. Shortlist Presented to PRG	September 9, 2019
7. Selected Bidders are notified of advancement to RFP, Stage 2	September 9, 2019
<b>RFP Stage</b>	
1. RFP Released	January 27, 2020
2. Bidder Conference (Skype)	January 31, 2020
3. Bidder Questions Due Round 1	February 6, 2020
4. Responses to Bidder Questions Provided by Company Round 1	February 13, 2020
4. Bidder Questions Due Round 2	February 21, 2020
5. Responses to Bidder Questions Provided by Company Round 2	February 28, 2020
6. Bidder's Proposal Due in PowerAdvocate	March 9, 2020
7. Proposal Review and Bid Clarification Discussions	March 3, 2020–June 12, 2020
8. Selected Bidder Interviews	September 21-23, 2020
9. Proposal Review Period Ends *	October, 2020
<b>Contracting Stage (Tentative)</b>	
1. Notification of Proposal Selection (Subject to Negotiations) **	Pending Selection
2. Contract Development, Contract Negotiation	Pending Selection
4. Company's Advice Letter Filing to CPUC	Pending Selection
5. Contract Issued (subject to CPUC approval, if applicable)	Pending Selection
6. Implementation Plan Development	Pending Selection
7. Program Launch	Quarter 2 2021 (est.)

\*Original estimate – July 24, 2020

\*\*Original estimate – August 2020

### 1.3 Key Observations

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

Table 1.2: Key Issues and Observations

Topic	Observations	IE Recommendations	Outcomes (IOU Action/Response)
Reduce Solicitation Timelines	The IOU should revisit its solicitation schedule and reduce the timelines associated with various schedule milestones. For example, the IOU allowed 13 weeks to evaluate and select abstracts. This could have been shortened by 8-10 weeks if the Shortlist selections were made immediately following the conclusion of the evaluation period. The extended timeline is especially perplexing given the IOU's decision to advance all bidders.	The IOU should strive to reduce the solicitation timeline. The PRG should also provide timely review and input that supports more aggressive timelines.	The IOU is currently reviewing solicitation schedules to identify improvements to the overall timing and completion of the solicitations. To date, no significant reductions to this solicitation timeline have been made.
Small Business Enterprise (SBE) Considerations	SBE is not currently considered in the evaluation of the bidder's social responsibilities. The CPUC has encouraged IOUs to promote SBEs in these solicitations.	The IOU should consider whether the bidder is an SBE as part of the bidder's social responsibilities evaluation along with diverse business enterprise considerations.	SDGE will consider including the SBE in future solicitations as a component of scoring to be consistent with the CPUC preference to promote SBEs within these program solicitations.

Table 1.2: Key Issues and Observations

Topic	Observations	IE Recommendations	Outcomes (IOU Action/Response)
Energy Savings from Water Efficiency Solutions	The CPUC allows the IOU to report water efficiency-related energy savings results toward the achievement of the CPUC EE goals.	RFP should direct bidders to calculate any applicable energy savings associated with the CPUC’s Water Efficiency Tool to improve the program’s energy savings forecast.	SDG&E declined to direct bidders to include energy savings associated with water efficiency since water efficiency calculations and benefits are not a program requirement for implementation.

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<sup>45</sup> OP 7.

Table 1.2: Key Issues and Observations			
Topic	Observations	IE Recommendations	Outcomes (IOU Action/Response)
EE Cost-Effectiveness Tool	Of special note, a bidder, and a first-time CET user, “found the CET learning curve to be incredibly steep”. Over time, the CET model has migrated from a excel-based platform with intuitive input features to an on-line system with very extensive and awkward input and output forms.	An enhanced CET with a user-friendly interface should be considered by the CPUC with a goal to reduce bidder confusion, simplify data entry, encourage scenario planning, and enhance timely review of CET showings.	Not applicable to IOU.

## 2. Solicitation Outreach and Bidder Response

### 2.1 Bidder Response to Solicitation

The solicitation outreach relied on general awareness of SDG&E’s program solicitations to the bidder community through several announcements and IOU-specific workshops regarding SDG&E’s upcoming EE program solicitations. SDG&E also posted information onto its [Energy Efficiency Third Party Solicitations site](#) and the [CAEECC site](#).

Bidder responses to both the RFA and RFP were consistent with SDG&E’s expected response rate. The following are the results of SDG&E’s program solicitation thus far:

Table 2.1: Solicitation Response	
	No.
Abstracts Expected	

Table 2.1: Solicitation Response	
	No.
Abstracts Received	
Abstracts Disqualified	
Proposals Expected	
Proposals Received*	
Proposals Disqualified	

\*Three bidders decided not to submit a full proposal. One bidder decided to join another active bid. One bidder noted the CPUC's treatment of their proposed energy savings calculation methodology. The third bidder did not provide a reason

## 2.2 Bidder's Conference and Q&A

### RFA

SDG&E held a Bidders' Conference on May 20, 2019. Potential bidders had sufficient time during the conference to ask questions. Bidders were also provided an opportunity after the Bidders' Conference to provide written questions. These written questions were due to SDG&E by May 31, 2019. SDG&E received eight questions covering an array of topics including: program coverage, program measure mix, marketplace, and branding. SDG&E provided responses to all bidder questions by June 7, 2019, which is within the acceptable parameters recommended by the PRG.

Table 2.2: RFA Bidder Conferences	
Bidder Conference Date	May 20, 2019
No. of Attendees	unknown
No. of Q&A Received	8

### RFP

On January 31, 2020, SDG&E held a Bidders' Conference with [REDACTED] invited bidders. Bidders had ample time during the conference to ask questions. Bidders were also provided two opportunities after the Bidders' Conference to submit additional questions. SDG&E provided response to all questions in a timely manner consistent with the solicitation schedule.

In all, the bidders had 12 questions pertaining to various topics including: partnering, solicitation timing, upstream rebates, CET, pending Market Transformation Administrator role, market transformation principles, and budget levels. Of special note, a bidder, and a first-time CET user, "found the CET learning curve to be incredibly steep". Over time, the CET model has migrated from an excel-based platform with intuitive input features to an on-line system with very extensive and awkward input and output forms. An enhanced CET with a user-friendly interface should be considered by the CPUC with a goal of reducing bidder confusion,

simplifying data entry, encouraging scenario planning, and enhancing an appropriate, timely review of the CET showings.

Table 2.2: RFP Bidder Conference	
Bidder Conference Date	January 31, 2020
No. of Attendees	[REDACTED]
No. of Q&A Received	12

### 2.3 Solicitation Design Assessment

The solicitation design met SDG&E’s intended need to procure a resource-based program(s) targeted at the plug load and appliance EE end-users across all California investor-owned utilities. SDG&E’s vision is to select comprehensive and innovative initiatives that reduce energy usage across technologies with high savings potential to meet this growing demand. The proposed Program must target residential plug load and appliance end-use technologies and should be generally offered uniformly Statewide. Consistent with CPUC D.16-08-019, “Local or regional variations in incentive levels, measure eligibility or program interface are not generally permissible (except for measures that are weather dependent or when the PA has provided evidence that the default Statewide customer interface is not successful in a particular location).”

The RFP scoring rubric and corresponding evaluation scorecard directly supports SDG&E’s intended need for a Statewide PLA program. The scorecard was designed to evaluate program designs that can offer innovative PLA solutions that result in cost-effective EE.

SDG&E’s program solicitation conforms to the CPUC requirements for a competitive, two-stage solicitation with oversight from its PRG and active monitoring of all solicitation activities by the IE.

## 3. RFA and RFP Design and Materials Assessment

### 3.1 RFA Design Requirements and Materials

This solicitation activity was reported in the May 2019 through October 2019 Semi-Annual Report.

### 3.2 RFP Design Requirements and Materials

The RFP contained bidder requirements that were unnecessary. Below are bidder requirements that could have been removed from the RFP without detracting from the evaluation of the proposals. Bidders were required to provide:

- [REDACTED]



- Information regarding their program tracking systems and to complete a privacy survey.

Response: The IOU believed while this information was not scored, it may be relevant to the operation of the program and is valuable to understand how the program will interface with current and future IOU tracking and reporting systems.

- A program logic model (PLM) diagram in addition to a detailed description of the key elements of the bidder's proposed program design.

Response: In response to this recommendation, SDG&E preferred to retain the PLM diagram requirement because it helps their evaluators understand the program design.

To improve the RFP design, the IE also recommended that the RFP address the following:

- The IOU should consider whether the bidder is a SBE as part of the IOU's Social Responsibilities evaluation along with diverse business enterprise considerations. The IOU can rely on the state of California's Department of General Services SBE certification process to confirm SBE status.

Response: SDGE will consider including the SBE in future solicitations as a component of scoring to be consistent with the CPUC preference to promote SBEs within these program solicitations.

- The RFP should not ask bidders to forecast a minimum TRC ratio of 1.25 or any level as it may create unrealistic CET forecasts or cause the bidder to not respond to the RFP. The IE also noted that SDG&E's 2020 PLA offering is forecasted at 0.87 TRC and the CPUC TRC threshold is set at the program portfolio and not a specific program level.

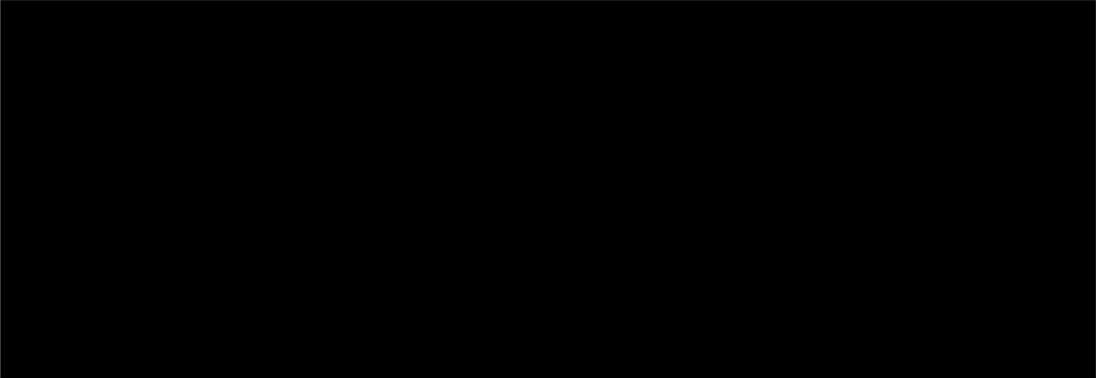
Response: The IOU indicated it would keep the program-level TRC requirement as it had been previously reviewed by PRG stakeholders for the HVAC RFP without comment. The IE notes that [REDACTED] invited to submit full proposals at the RFP stage eventually declined to submit proposals.

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<sup>46</sup> OP 7.

- RFP should direct bidders to calculate any applicable energy savings associated with the CPUC’s Water Efficiency Tool to improve the program’s energy savings forecast. The CPUC allows the reporting of such energy savings results towards the achievement of the CPUC EE goals.

Response: SDG&E declined to direct bidders to include energy savings associated with water efficiency as water efficiency calculations and benefits are not a requirement for implementation of a midstream SW PLA program and therefore will not be added to the RFP phase.

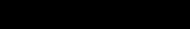
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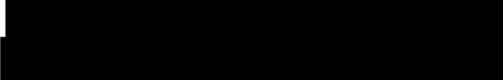
### 3.3 Response to PRG and IE Advice

#### RFA

This solicitation activity was reported in the May 2019 through October 2019 Semi-Annual Report.

#### RFP

The IE provided more than 40 comments on the . The PRG provided an additional five comments and all were accepted by the IOU .

 The IOU provided specific rationale why it did not accept each comment. As part of the review process, the IE confirmed that all remaining comments were incorporated into the final RFP materials. Key IE recommendations were discussed with the PRG and IOU during the January 2020 PRG monthly meeting.

## 4. Bid Evaluation Methodology Assessment

Describe the IOU’s bid evaluation methodology (or alternatively include IOU’s own description) including:

## **4.1 Bid Screening Process**

### **RFA**

This solicitation activity was reported in the May 2019 through October 2019 Semi-Annual Report.

### **RFP**

For the RFP stage, SDG&E conducted a prescreening of all proposals received. The screening process included a review for proposal completeness, business requirements, file access, timeliness, and certification requirements. The process was conducted by the IOU's Supply Management lead and completed before the scoring team evaluated the proposals. In the RFP stage, all proposals passed the screening process. One proposal included a file which could not be read by the IOU. Consistent with the IOU's Supply Management practices, the IOU allowed a 24-hour cure period for the bidder to resubmit the file. Apparently, the file name extension was too long to be properly opened. The IOU notified the IE prior to the curing period. The IE supported the IOU's approach as is reasonable to provide a curing process for such administrative errors.

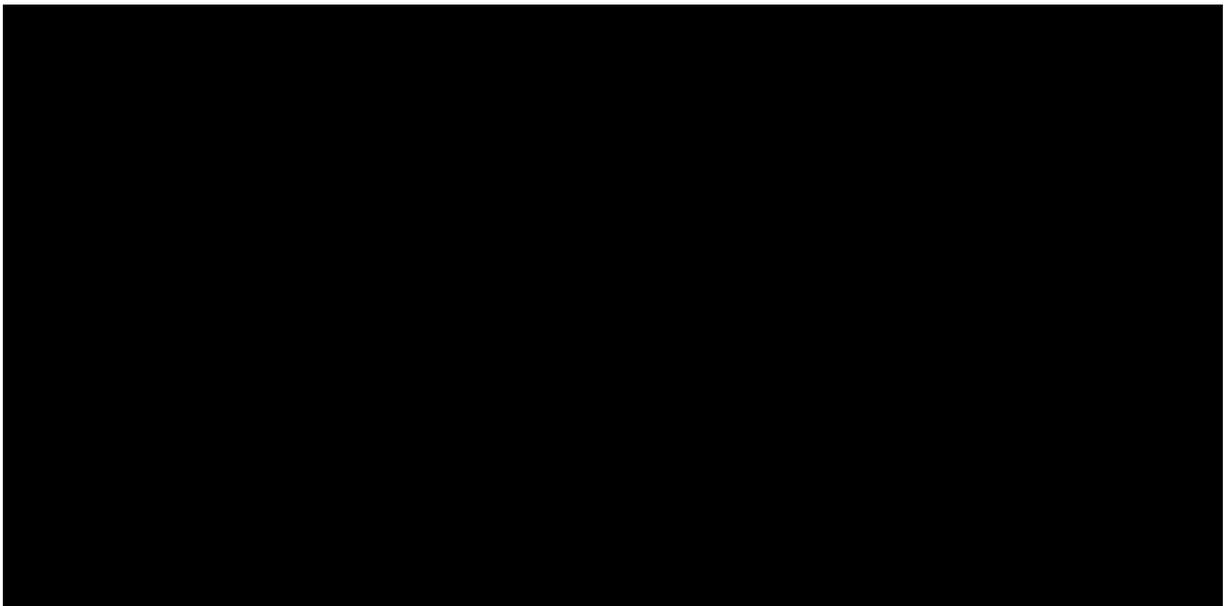
## **4.2 Scoring Rubric Design**

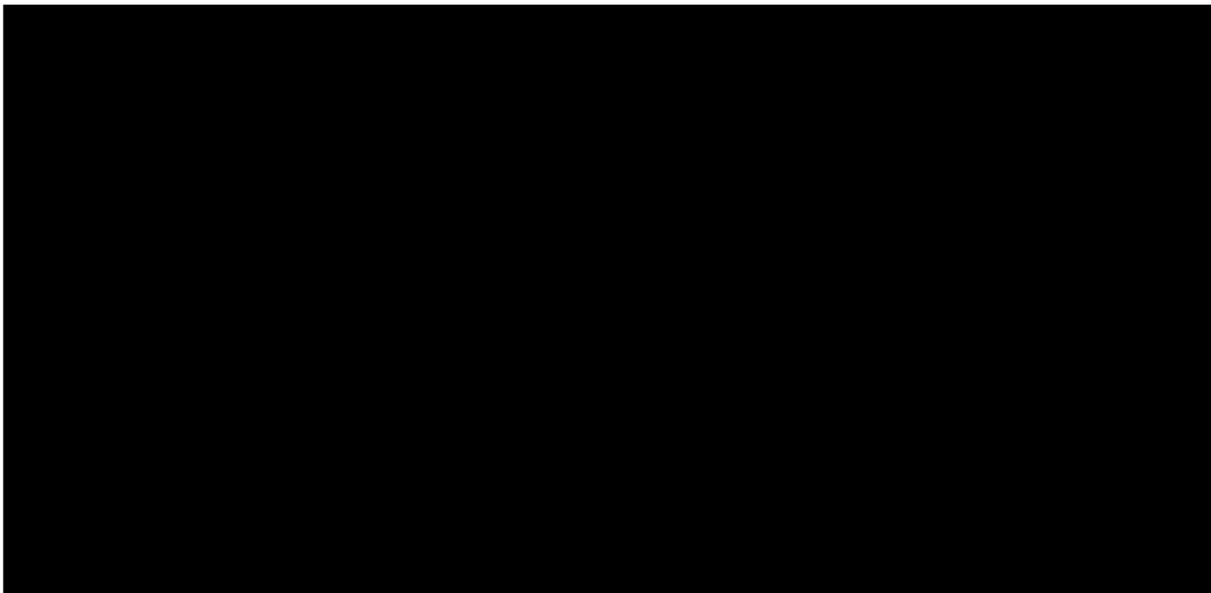
### **RFA**

This solicitation activity was reported in the May 2019 through October 2019 Semi-Annual Report.

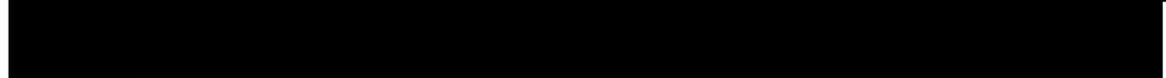
### **RFP**

SDG&E applied the following scoring rubric in the evaluation of the proposals received during the RFP stage:

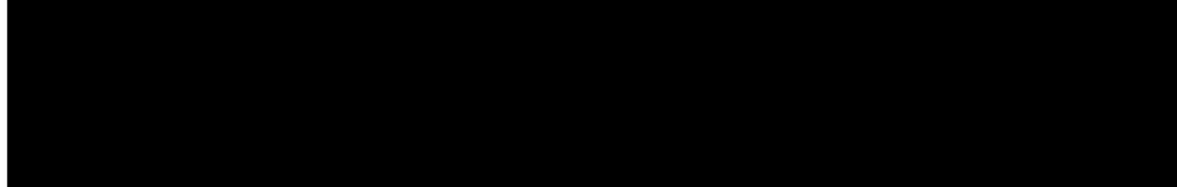




Overall, the scoring rubric and corresponding criteria weightings shown above balanced the IOU's needs and CPUC direction regarding third-party programs with a few exceptions.



The IE recommended that the IOU consider Small Business Enterprises in the evaluation of social responsibilities.



### 4.3 Evaluation Team Profile

#### RFA

This solicitation activity was reported in the May 2019 through October 2019 Semi-Annual Report.

#### RFA and RFP

SDG&E held a group training session for its evaluation team prior to scoring the submittals. The training included an overview of the solicitation schedule, review of the Company's code of conduct including antitrust guidelines, and general guidance on how to use the scorecard. There were no conflicts of interest identified among the score team.



Also, SDG&E elected not to perform a mock exercise of the scorecard with its evaluation team. At a minimum, the training session should include a detailed review of the scorecard to confirm the evaluators understanding and application of the evaluation tool.

SDG&E assigned staff from various disciplines within its organization to create an evaluation team. The team was responsible to review and score the abstracts and proposals throughout the two-stage solicitation process. The SDG&E evaluation team was well-rounded and qualified to conduct the evaluations. The evaluation team consisted of the following:

Table 4.2: IOU Evaluation Team			
Team Number	Position Title	Position Responsibilities	Area Scored
[Redacted Content]			

#### 4.4 Response to PRG and IE Advice

##### RFA

This solicitation activity was reported in the May 2019 through October 2019 Semi-Annual Report.

##### RFP

This solicitation activity has not been completed; future Semi-Annual reports will address this topic.

### 5. Final Bid Selection Assessment

#### 5.1 Conformance with Established Evaluation Processes

##### RFA

This solicitation activity was reported in the May 2019 through October 2019 Semi-Annual Report.

##### RFP

This solicitation activity has not been completed; future Semi-Annual reports will address this topic.

## **5.2 Management of Deficient Bids**

In the RFA stage, the IOU did not receive any deficient abstract proposals. In the RFP stage, one proposal included a file which could not be opened by the IOU. Consistent with the IOU's Supply Management practices, the IOU allowed a 24-hour cure period for the bidder to resubmit the file. Apparently, the file name extension was too long to be properly opened. The IOU notified the IE prior to the curing period. The IE supported the IOU's approach as reasonable to provide a curing process for such administrative errors. No other deficiencies were identified.

## **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**

### **RFA**

This solicitation activity was reported in the May 2019 through October 2019 Semi-Annual Report.

### **RFP**

The IOU did not receive a bid from an affiliate nor identify a COI with a member of the evaluation team as part of either the RFA or RFP stages. The IOU conducts a review as part of its bid screening process to confirm there are no COI occurrences nor affiliate submissions. SDG&E properly conducted this screening process.

## **6. Assessment of Selected Bids**

### **6.1 Bid Selections Respond to Portfolio Needs**

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

### **6.2 Bid Selections Provide the Best Overall Value to Ratepayers**

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 Single-Family Solicitation**

Reporting Period: April 2020 through September 2020

*Prepared by:*  
Don Arambula Consulting



**Disclaimer:** This report includes highly sensitive and confidential information.

# LOCAL RESIDENTIAL SINGLE-FAMILY

## 1. Solicitation Overview

### 1.1 Overview

#### Scope

The Local Residential Single-Family program (Residential Single-Family) solicitation is seeking comprehensive and innovative EE programs targeted at SDG&E's Residential Single-Family customers. The SDG&E residential single-family market segment is defined as residential customers who own or rent a single-family detached home or a residential building with two to four units.

#### Objectives

The objective of the Residential Single-Family solicitation is to fund a third-party EE program(s) that can reliably capture energy savings from SDG&E's residential single-family customers. The bidder's proposed program should provide electric and/or natural gas energy savings. The contract will be a three-year agreement with the opportunity for two one-year extensions, not to exceed a five-year agreement. The annual budget will have a not-to-exceed amount of \$1.9 million per year and may be divided among multiple program implementers.

### 1.2 Timing

The Residential Single-Family program solicitation was initially scheduled for release in the first Quarter of 2019 as shown in the IOU's solicitation schedule presented to the Bidder community on the [CAEECC site](#) in December 2018. The solicitation schedule was later revised, and the RFA was released in October 2019. The Joint IOU solicitation schedule has been subsequently updated to reflect the revised solicitation schedule.

As a result of schedule delays by the IOUs, on March 11, 2020, the CPUC's Energy Division provided additional guidelines on timing for the RFA, RFP and contracting stages within a typical program solicitation. In response, SDG&E revised its RFP schedule as presented below. Unless otherwise indicated, all milestones were met on schedule. Table 1.1 below includes key milestones for this program solicitation.

Milestones	Completion Date
<b>RFA Stage</b>	
1. RFA Released	October 18, 2019
2. Optional Bidder Conference	November 4, 2019
3. Bidder Questions Due	November 19, 2019
4. Responses to Bidder Questions Due	November 26, 2019

Table 1.1: Key Milestones	
Milestones	Completion Date
5. Bidder Abstract Submission Due	December 5, 2019
6. Submittal Review	December 6, 2019–February 7, 2020
7. Bidders Notified - Advancement to RFP Stage	February 27, 2020
<b>RFP Stage</b>	
1. RFP Released	April 27, 2020
2. Optional Bidder Conference (Skype)	May 12, 2020
3. Bidder Questions Due Round 1	May 15, 2020
4. Responses to Bidder Questions	May 20, 2020
5. Bidder Questions Due Round 2	May 26, 2020
6. Responses to Bidder Questions	May 29, 2020
7. Bidder's Proposal Due	June 9, 2020
8. Proposal Review, Bid Clarification Discussions	June 10, 2020–July 14, 2020
9. Selected Bidder Interviews	August 20, 2020–August 24, 2020
10. Proposal Review Period Ends, Bidders Notified	September 14, 2020
<b>Contracting Stage</b>	
1. Notification Selection (Subject to Negotiations) *	August 17, 2020
2. Contract Development and Negotiation *	October 27, 2020 – November 9, 2020
3. Program Ramp-Up Begins	Q1 2021
4. Full Program Roll Out	Q1 2021
5. Notification Selection (Subject to Negotiations)	October 19, 2020

\*Notified selected bidder and began contract negotiations in August 2020.

### 1.3 Key Observations

Table 1.2 represents a collection of key IE issues, observations and outcomes, where applicable, from the assigned IE for the Local Residential Single-Family solicitation.

Table 1.2: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
RFA Requirements	The RFA required additional information such as a bidder's proposed Program Logic Model (PLMs), proposed program ramp-up	IE recommended (and was supported by the PRG) that such requirements should be moved to the RFP stage (i.e., KPIs) or after the	The IOU did not accept the recommendation and required Bidders to provide PLMs in the RFA stage. SDG&E believes such information helps inform

Table 1.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
	<p>activities, and KPIs that were either redundant to other information or were weak indicators of likely program success.</p>	<p>Implementer is under contract (i.e., PLM) or in contract negotiations (i.e., program ramp-up activities). Going forward, the IOU should reduce the RFA requirements and use Stage 1 of the solicitation as a filter to remove lower scoring Abstracts with little chance of success for final selection.</p>	<p>the team during evaluation of the Abstract.</p>

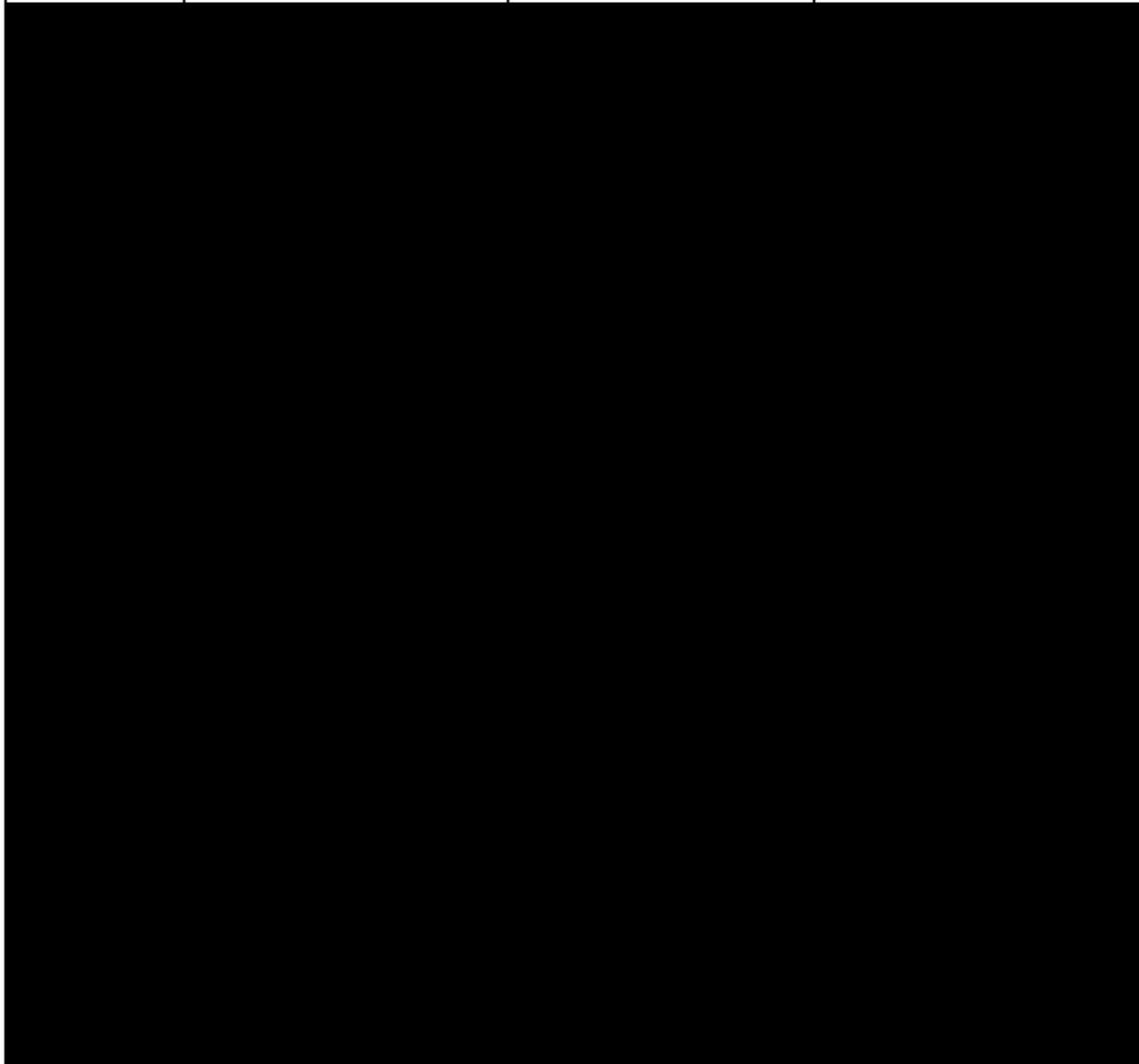


Table 1.2: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Reduce Solicitation Timelines	The IOU should revisit its solicitation schedule and reduce the timelines associated with various schedule milestones.	The IOU should strive to reduce the solicitation timeline. The PRG should also provide timely review and input that supports more aggressive timelines.	The IOU has significantly reduced the program solicitation timelines.
Reduce RFP Requirements	The IOU requests that the bidders provide a diagram of the program logic model (PLM). The PLM has very limited use in the evaluation of the program proposals.	The IOU should not request the PLM diagram as the bidder's description of the program design theory is adequate. The PLM should be required as part of the program's IP.	The IOU did not accept the recommendation and required Bidders to provide the PLM in the RFA stage. SDG&E believes such information helps inform the team during evaluation of the Proposal.

## 2. Solicitation Outreach and Bidder Response

### 2.1 Bidder Response to Solicitation

The solicitation outreach relied on general awareness of SDG&E's program solicitations to the bidder community through several announcements and IOU-specific workshops regarding SDG&E's upcoming EE program solicitations. SDG&E also posted information onto its [Energy Efficiency Third Party Solicitations site](#) and the [CAEECC site](#).

The following is SDG&E’s expected response to the local program solicitation:

Table 2.1: Solicitation Response	
	No.
Abstracts Expected	
Abstracts Received	
Abstracts Disqualified	
Proposals Expected	
Proposals Received*	
Proposals Disqualified	

*\*Two invited bidders did not respond to the RFP. No reason was provided by either bidder. The IE recommended to the IOU to survey the two bidders at the conclusion of the solicitation to help inform future solicitations*

## 2.2 Bidder's Conference and Q&A

### RFA

This solicitation activity was reported in the November 2019 through March 2020 Semi-Annual report.

### RFP

The Bidders’ Conference was held on May 12, 2020. Potential bidders had ample time during the conference to ask questions. Bidders were also provided an opportunity after the Bidders’ Conference to provide written questions. SDG&E received 3 questions related to the recent CPUC load impact study on residential thermostats, market effects parameter within the CPUC CET, and the expected program launch timeframe. SDG&E provided responses to all bidder questions in a timely manner.

## 2.3 Solicitation Design Assessment

### RFA and RFP

The solicitation design met SDG&E’s need to procure a resource-based program(s) targeted at the residential single-family customer segment within SDG&E’s service territory. As presented in SDG&E’s Energy Efficiency Business Plan<sup>47</sup> and reflected in the solicitation materials,<sup>48</sup> SDG&E’s Residential Single-Family market segment (owners & renters) accounts make up 65 percent of the 1.3 million accounts within SDG&E’s service territory, representing 76 percent of residential electric consumption and 77 percent of residential gas consumption. Within the

<sup>47</sup> SDG&E’s Energy Efficiency Business Plan (2018-2025), January 2017, pp. 41-42.

<sup>48</sup> Residential Single Family – RFA, issued October 18, 2019, Section 2, Introduction, pp. 4-5.

single-family sector, approximately 20 percent are rental properties. Based on these percentages, along with associated data showing that the single-family owners participate at a higher rate in programs, it is critical to continue to engage this segment with highly targeted offerings; specifically, when considering being ZNE-ready within the residential sector. SDG&E's RFA and RFP also provided the bidders several reference documents to help inform them of the existing market, legislative drivers, and regulatory policies and compliance requirements.<sup>49</sup>

SDG&E's program solicitation conforms to the CPUC requirements for a competitive, two-stage solicitation with oversight from its PRG and active monitoring of all solicitation activities by the IE.

### 3. RFA and RFP Design and Materials Assessment

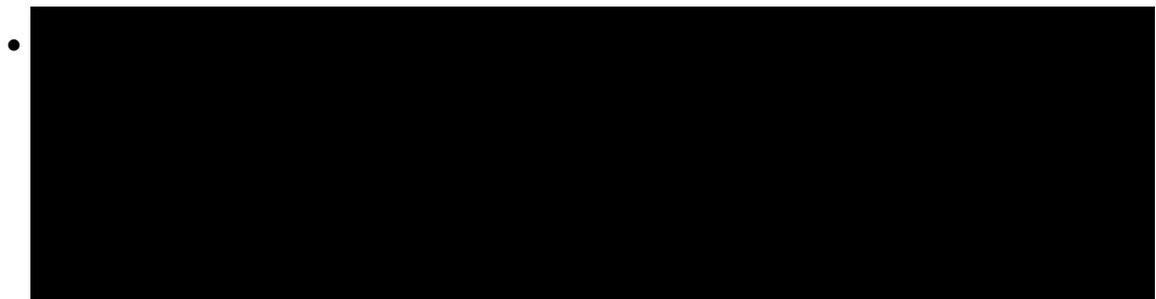
#### 3.1 RFA Design Requirements and Materials

This solicitation activity was reported in the November 2019 through March 2020 Semi-Annual report.

#### 3.2 RFP Design Requirements and Materials

The RFP required the necessary information from the bidders to evaluate Abstracts. The IE provided 46 specific recommendations regarding the RFP and corresponding scoring rubric. The vast majority of these recommendations were adopted by the IOU. Below is a summary of key IE recommendations considered but not adopted by the IOU:

- **Program Logic Model Diagram:** As identified in the RFA review, the IE recommended that the program logic model should not be required of the Bidders in the RFP stage. As with the RFA stage, the IOU preferred to retain the PLM diagram for the RFP.



### 4. Bid Evaluation Methodology Assessment

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<sup>49</sup> Id, Appendices – Resources & References.

## **4.1 Bid Screening Process**

### **RFA and RFP**

For the RFA and RFP stages, SDG&E conducted a prescreening of all abstracts and proposals received. The screening process included a review of the abstract and the proposal completeness, business requirements, file access, timeliness, and certification requirements. The process was conducted by the IOU's Supply Management lead and completed before the scoring team began evaluations. All abstracts and proposals passed the screening process.

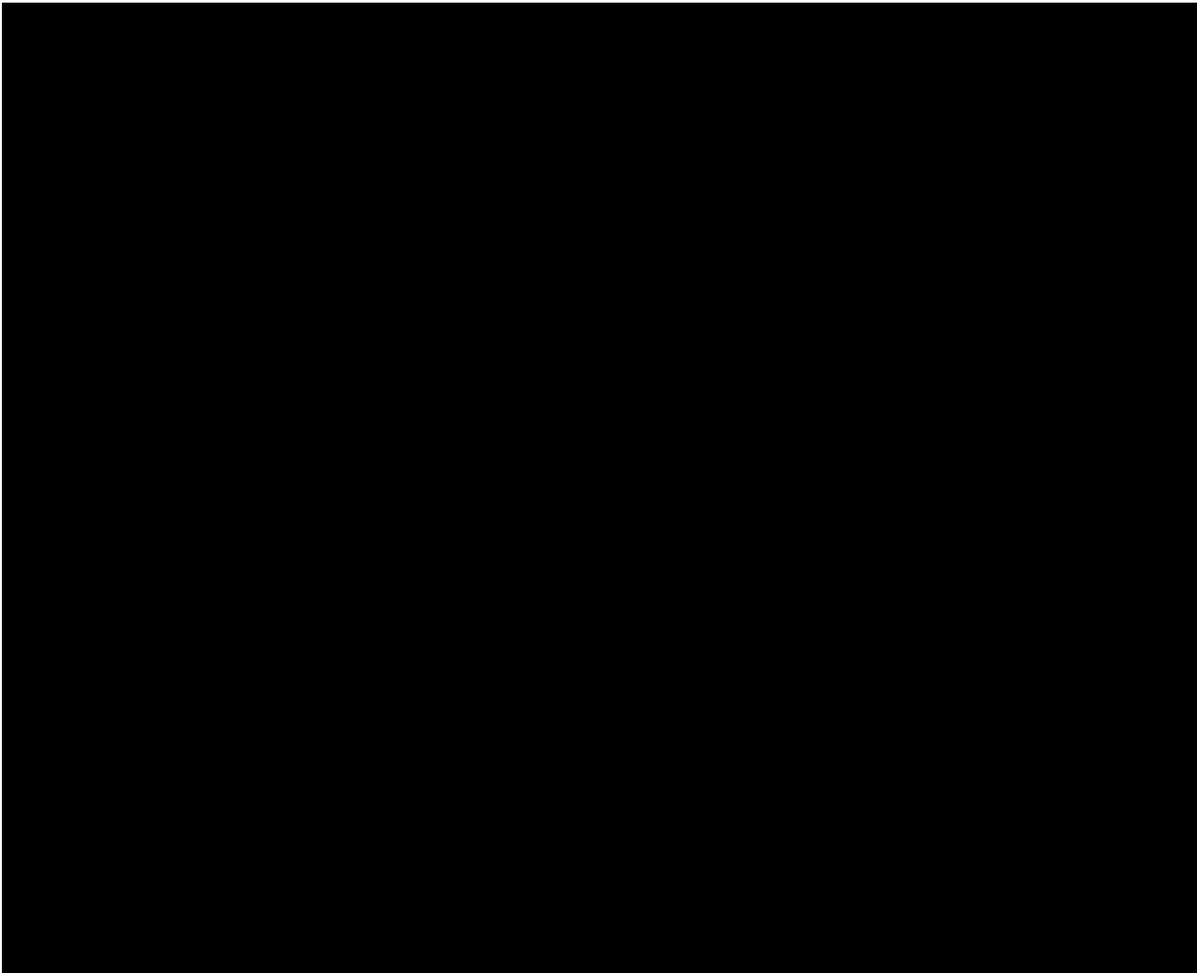
## **4.2 Scoring Rubric Design**

### **RFA**

This solicitation activity was reported in the November 2019 through March 2020 Semi-Annual report.

### **RFP**

SDG&E applied the following scoring rubric in the evaluation of the proposals received during the RFP stage:



[REDACTED]

Overall, the scoring rubric and corresponding criteria weightings shown above balanced the IOU’s needs and CPUC direction regarding third-party programs. [REDACTED]

[REDACTED]

### 4.3 Evaluation Team Profile

#### RFA and RFP

SDG&E held a group training session for its evaluation team prior to evaluating the abstracts and proposals. The training included an overview of the solicitation schedule, review of the Company’s code of conduct including antitrust guidelines, and general guidance on how to use the scorecard. There were no conflicts of interest identified among the score team.

[REDACTED]

Alternatively, during the evaluation period, the IOU should hold weekly status meetings with the evaluation team to address questions/concerns regarding how to properly apply the scoring guidelines. This would likely avoid misunderstanding and inconsistent application of the scoring criteria among the individual evaluators.

SDG&E assigned staff from various disciplines within its organization to create an evaluation team. The team was responsible to review and score the abstracts and proposals. The SDG&E evaluation team was well-rounded and qualified to conduct the evaluations. The team consisted of the following:

Team Number	Position Title	Position Responsibilities	Area Scored
[REDACTED]	[REDACTED]	[REDACTED]	Abstract, Proposal
[REDACTED]	[REDACTED]	[REDACTED]	Abstract, Proposal
[REDACTED]	[REDACTED]	[REDACTED]	Abstract, Proposal

## 4.4 Response to PRG and IE Advice

### RFA

This solicitation activity was reported in the November 2019 through March 2020 Semi-Annual report.

### RFP

Both the IE and PRG provided several specific comments on the RFP scoring rubric and scorecard. Each of the five PRG comments related to the scorecard were accepted by SDG&E with additional input provided by the IE. The IE provided 12 comments on the scorecard. The IOU accepted or partially accepted all scorecard-related recommendations.

## 5. Final Bid Selection

SDG&E invited [REDACTED] the RFP stage. However, in response to the SDG&E's RFP, the IOU received [REDACTED]. The IOU has not contacted [REDACTED] to understand why they did not respond to the RFP invitation. SDG&E does not survey such bidders during an active solicitation.

The [REDACTED] was screened for eligibility and scored by the evaluation team. SDG&E conferred with the IE and the PRG to confirm the selection [REDACTED] was competitive. Both the IE and PRG confirmed that they believed that [REDACTED]. As a result, the IOU invited [REDACTED] to contract negotiations.

## 6. Assessment of Selected Bids

The bidder proposed a residential online marketplace, deemed incentives, and self-installation of real-time feedback in-home displays enabled through the customer's cell phone for the residential single-family segment. This is one of the first, low-cost wireless devices that communicates to the customer's advanced meter to send near real-time energy usage data and cost information directly to the customer with the expectation that the customer will permanently modify their behavior especially during residential peak periods when energy cost are the highest. As presented in the 2019 EE Potential Study, such devices can reduce usage by 2.3 percent.<sup>50</sup> In light of the transition to residential time-of-use rates, this may provide a significant bill reduction opportunity especially for high usage residential and moderate-income households. The in-home display device will rely on population-level NMEC to identify energy savings.

[REDACTED]

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<sup>50</sup> 2019 Energy Efficiency Potential Study, dated July 1, 2019, p. C-7.



## **7. Reasonableness of Contracting Process**

Contract negotiations are on-going as of this reporting period; future Semi-Annual reports will address this topic.

Energy Efficiency Independent Evaluators' Semi-Annual  
Report on the

**Local Public Sector Federal Solicitation**

Reporting Period: April 2020 through September 2020

*Prepared by:*  
MCR Corporate Services



**Disclaimer:** This report includes highly sensitive and confidential information.

# LOCAL PUBLIC SECTOR FEDERAL

## 1. Solicitation Overview

### 1.1 Overview

SDG&E's Public–Federal (Federal) solicitation is focused on contracting with third parties to propose, design, implement and deliver new EE programs that service Federal customers.

The public sector is defined as a group of customers that are taxpayer funded, have political mandates, and that must go through a public budgeting and decision-making process. This sector makes up 12 percent of total electric consumption, with 70 percent of accounts under 20kW within SDG&E's service territory. The public sector has high visibility and the potential for energy savings is great for this market.<sup>51</sup>

This sector has the following unique existing challenges:

- Long approval processes including Division of the State Architect and board approvals
- Complex funding mechanisms and budgetary constraints

### Scope

SDG&E is seeking comprehensive and innovative proposals from nonutility companies for the public sector serving Federal customers.<sup>52</sup> The Federal sub-sector is comprised of Federal buildings, US Postal Service, hospitals owned and/or operated by the Federal government, military bases and Tribal Nations.

The objectives of the solicitation are to solicit innovative approaches to augment the Federal Government's own energy and sustainability programs and to implement third-party EE programs that reliably capture, and document cost effective energy (kWh, kW and/or therm) savings applicable to the Federal customers. Cost effectiveness is an important element of all programs in the California IOU portfolios. The proposed program should help SDG&E achieve related portfolio goals and metrics.

Status: This solicitation is nearing the end of the RFP stage, Stage 2 of the two-stage process approved by the CPUC in Decision 18-01-004.

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<sup>51</sup> SDG&E RFAs, at p. 5

<sup>52</sup> SDG&E RFP, May 22, 2020, at p. 8.

## 1.2 Timing

Table 1.2 includes key milestones for all stages of the Solicitation.<sup>53</sup>

Table 1.2: Key Milestones <sup>54</sup>	
Milestones	Completion Date
<b>RFA Stage</b>	
1. RFA Released	October 16, 2019
2. Optional Bidder Conference	October 29, 2019
3. Bidder Questions Due	November 13, 2019
4. Responses to Bidder Questions Due	November 20, 2019
5. Bidder Abstract Submission Due	November 27, 2019
6. Submittal Review	December 2, 2019–February 21, 2020
7. Shortlist Presented to PRG	March 10, 2020
8. Bidders Notified - Advancement to RFP Stage	March 24, 2020
<b>RFP Stage</b>	
1. RFP Released	May 22, 2020
2. Optional Bidder Conference (Skype)	June 1, 2020
3. Bidder Questions Due Round 1	June 4, 2020
4. Responses to Bidder Questions	June 9, 2020
3. Bidder Questions Due Round 2	June 12, 2020
4. Responses to Bidder Questions	June 17, 2020
5. Bidder's Proposal Due	July 16, 2020
6. Proposal Review, Bid Clarification Discussions	June 17, 2020–September 16, 2020
7. Selected Bidder Interviews	October 23, 2020–October 29, 2020
8. Proposal Review Period Ends, Bidders Notified	November 14, 2020
<b>Contracting Stage</b>	
1. Notification Selection (Subject to Negotiations)	November 18, 2020
2. Contract Development and Negotiation	November 19–December 29, 2020
3. EE PRG/IE Review of Contract *	December 30, 2020–January 18, 2021
4. SDG&E's Advice Letter Filing to CPUC	Q2 2021

<sup>53</sup> Id., at p. 12.

<sup>54</sup> This schedule is the schedule posted by SDG&E in PowerAdvocate.

Table 1.2: Key Milestones <sup>54</sup>	
Milestones	Completion Date
5. Purchase Order/Contract Signed	Q1 2021
6. Program Ramp-Up Begins	Q3 2021
7. Full Program Roll Out	Q3 2021

\* *Estimated dates.*

### 1.3 Key Observations

Table 1.3 represents a collection of key IE issues, observations and outcomes, where applicable, from the assigned IE for the Public—Federal solicitation.

Table 1.3: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Timing of Avoided Costs	2021 avoided costs were released via CEDARS just as bidders were submitting their proposals	IOUs should have a process in place for this situation. Will they require all bidders to update with new avoided costs within certain number of days or before bids are submitted or not at all? Because of the timing, our recommendation was to proceed to calibration and only have bidders rerun CETs if scores are too tight to determine final selection outcome; otherwise rerun at interview stage.	SDG&E agreed with IE's approach.

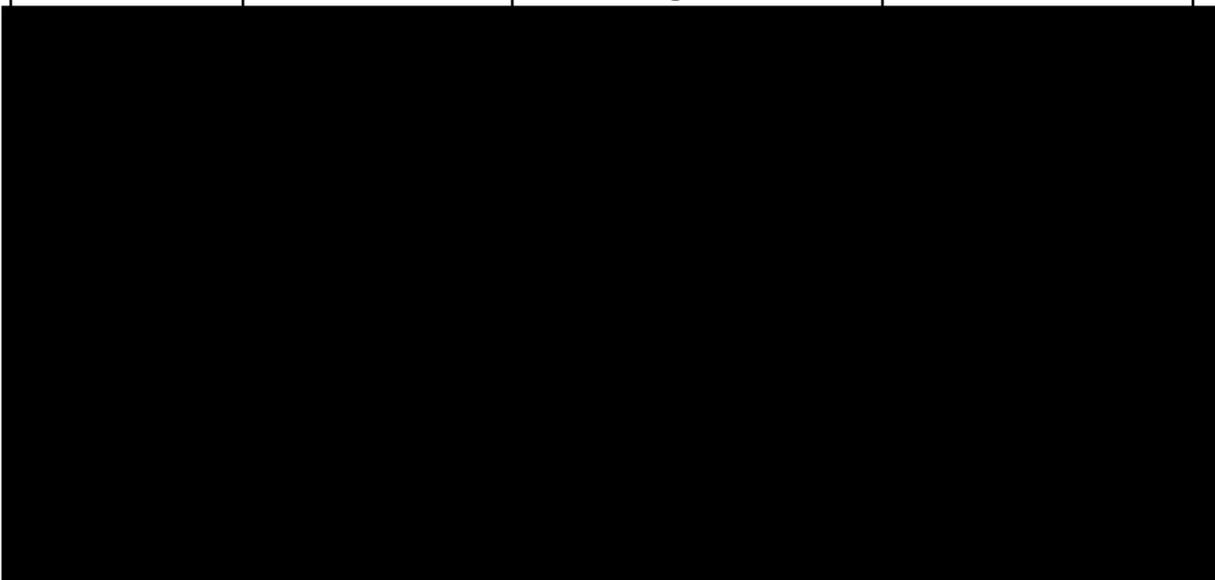


Table 1.3: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)

Table 1.3: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Evaluator Training	SDG&E's evaluator training did not include mock scoring exercises.	The training could have included some mock exercises to calibrate the scoring and walk the team through how to approach specific challenges that might arise.	SDG&E set aside second day of training at RFP stage for targeted questions about specific sections, which was an improvement over the RFA, but mock scoring exercises would be better.

## 2. Solicitation Outreach and Bidder Response

### 2.1 Bidder Response to Solicitation

The November 2019 through March 2020 Semi-Annual Report provides information regarding the Bidder Response to the RFA, however, the summary is included again in Table 2.1 below.

SDG&E launched its Federal RFP on May 22, 2020. Bidders were notified in PowerAdvocate.

At the end of the RFP submission period, [REDACTED] who were invited to participate did submit proposals for consideration for the Public Sector-Federal solicitation.

Table 2.1: Solicitation Response	
	No.
Abstracts Expected	
Abstracts Received	
Abstracts Disqualified	
Proposals Expected	
Proposals Received	
Proposals Disqualified	

## 2.2 Bidders' Conference and Q&A

### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Bidder's Conference held on October 29, 2019.

### RFP

Table 2.2 below contains information on SDG&E's RFP Bidders' Conference held on June 1, 2020 for both the Public Federal and Federal solicitations.

Table 2.2: Bidder Conferences	
RFP Bidder Conference Date	June 1, 2020
No. of Attendees	
No. of questions received	11

The Bidders' Conference was conducted on Slido, and [REDACTED] participants represented all the bidding companies in both solicitations with one exception. One K-12 bidder did not participate. The Bidders' Conference was scheduled for two hours but moved quickly and was completed in just over one hour. SDG&E did a good job of presenting the materials and was well prepared. There were 11 questions asked via Slido: Five questions related to TRC/CET, five questions related to how to submit information and one question related to program eligibility.

The Bidders' Conference was followed by two rounds of Q&A in June 2020 before proposals were due on July 16, 2020. Several questions related to the process, such as how to attach files and how to submit process flow diagrams, etc. Substantive questions included the following:

- Q: Will SDG&E provide a "Measure map" of all eligible measures (and measure codes) and associated ex ante values, to facilitate CET input selection?

- A: No. SDG&E expects the bidder to have a solid understanding of the eligible measures and values, as well as the knowledge to utilize the tools to obtain this information.
- Q: How do we reflect DBE spend if the prime is the certified DBE?
  - A: If the bidders is a certified DBE, the participation would be 100 percent
- Q: Can you confirm that measures under the program are not subject to the prevailing wage requirement?
  - A: Energy efficiency projects require the payment of prevailing wages if the project meets the requirements of statute 1720.6: (1) performed on government property and (2) primarily intended to reduce energy costs that “would otherwise be incurred by the state or a political subdivision of the state.” K-12 schools would be considered government if the land is owned by a school district or leased from a government entity.
- Q: Any insights into why de-lamping does not qualify under the current SDG&E Business rebate program for Type A tubes?
  - A: Programs in the IOU’s portfolio are required to demonstrate program influence. The LED T8 lamp (Type A, Type A+B) workpaper restricts or omits de-lamp of Linear fluorescents because the deemed savings are based on replacing lamp for lamp – where a measure must provide the same level of service. De-lamping is considered free ridership because the customer is more than likely going to do it without any influence from the program.
- Q: Are ports included in the Federal solicitation?
  - A: Only Port entities owned and/or that meet the definition of Federal government are to be included in the program offering.

## 2.3 Solicitation Design Assessment

SDG&E devoted a chapter of its Energy Efficiency Business Plan 2018-2025 (January 2017) to defining the opportunities and challenges of the Public Sector. One of SDG&E’s stated goals is to “eliminate barriers to public sector participation by developing tailored solutions and financing options.”<sup>55</sup>

The Business Plan’s three goals for this sector are:

- Education—Empower Leaders by equipping them with knowledge and tools to make informed EE decisions.
- Penetration—Eliminate Barriers to Public Sector Participation by developing tailored solutions and financing options.

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<sup>55</sup> SDG&E Energy Efficiency Business Plan 2018-2025, January 2017, at pp. 6-7.

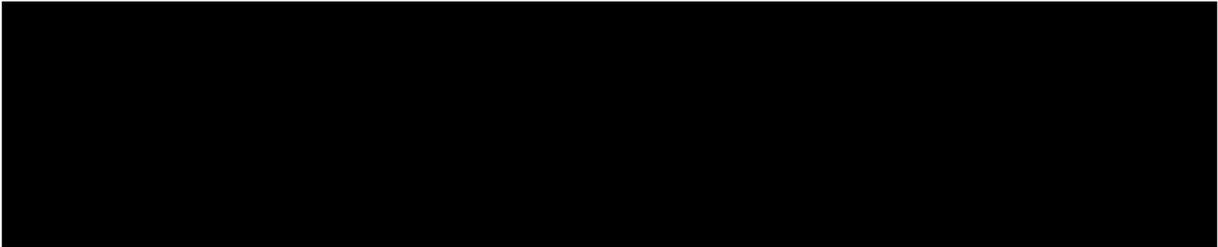
- Savings—Influence Private Sector EE Activities through reach codes and engagement.

### 3. RFA and RFP Design and Materials Assessment

#### 3.1 RFA Design Requirements and Materials

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Design Requirements and Materials.

#### 3.2 RFP Design Requirements and Materials



While these changes to the Master Scoring Workbook are an improvement over the RFA stage, they are necessary because SDG&E continues to use [REDACTED]

#### 3.3 Response to PRG and IE Advice

##### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding the IOU's Response to PRG and IE Advice regarding RFA Design and Materials.

##### RFP

With the exception of the recommendation to [REDACTED] as indicated above, SDG&E has been responsive to recommendations by the IE and PRG regarding RFP design. SDG&E adopted the majority of the IE's recommendations throughout the RFP development process. SDG&E also discussed all PRG comments with the IE and adopted most of the PRG's suggestions. Examples are included below:

- SDG&E added language to remind bidders that the RFP needed to be consistent with the RFA. SDG&E also included helpful examples of allowable changes.
- SDG&E added CalEnviroScreen link for a map of cities that include DAC.

- SDG&E removed language that excluded behavioral programs.
- SDG&E redesigned Master Scoring Workbook and Proposal Form for RFP stage, per Section 3.2 above, to reflect recommendations of IE.

## **4. Bid Evaluation Methodology Assessment**

### **4.1 Bid Screening Process**

#### **RFA**

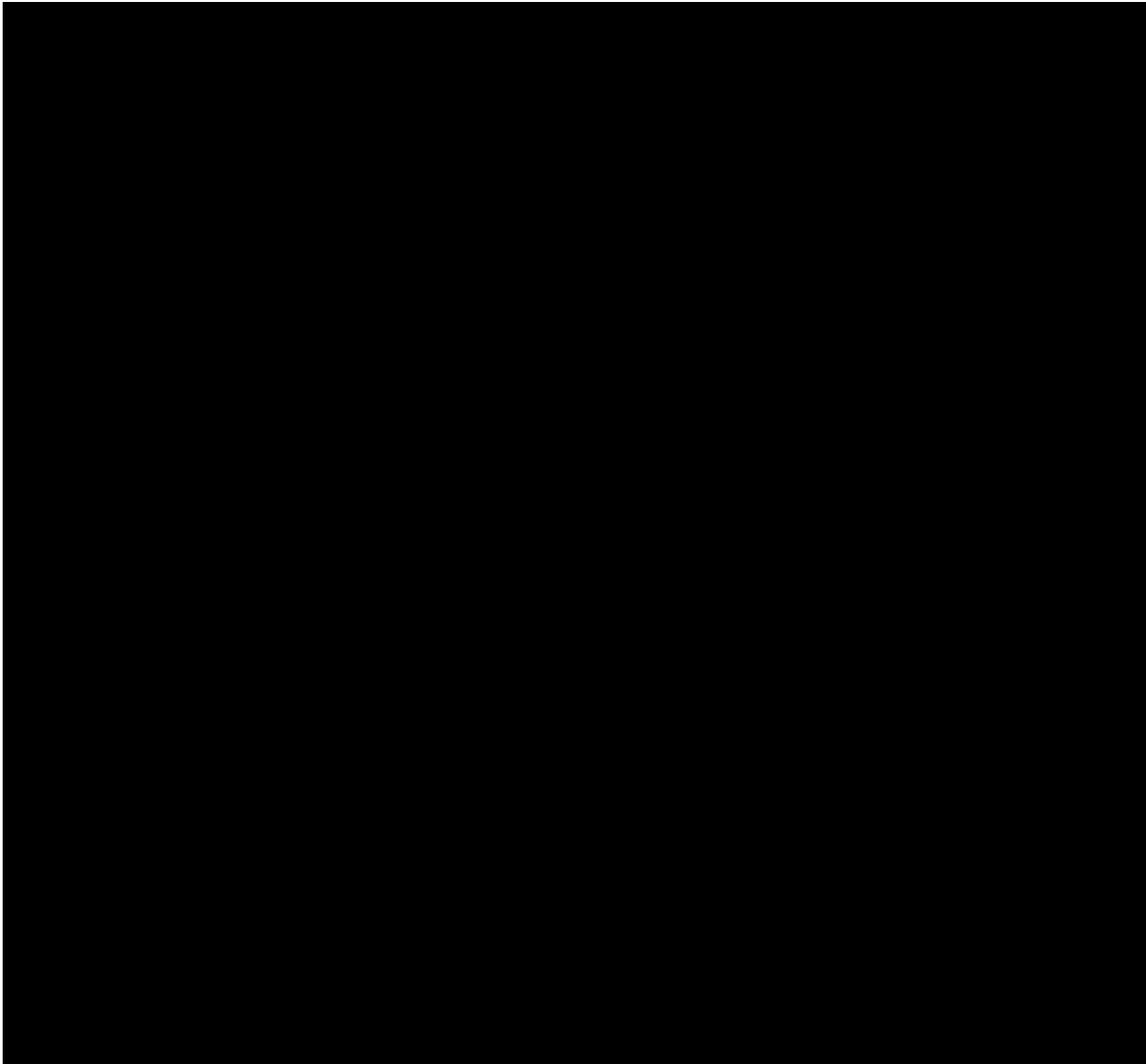
The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Bid Screening Processes.

#### **RFP**

SDG&E's bid screening process<sup>56</sup> is separated into a preliminary First Gate Evaluation (RFP Threshold Assessment) to determine the responsiveness of the submittal and a Second Gate Evaluation for submittals that meet the minimum threshold requirements. See Table 4.1 below.

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<sup>56</sup> SDG&E Public Sector – Federal RFP, May 22, 2020, at pp. 16- 17: Evaluation Criteria and Process.



## **4.2 Scoring Rubric Design**

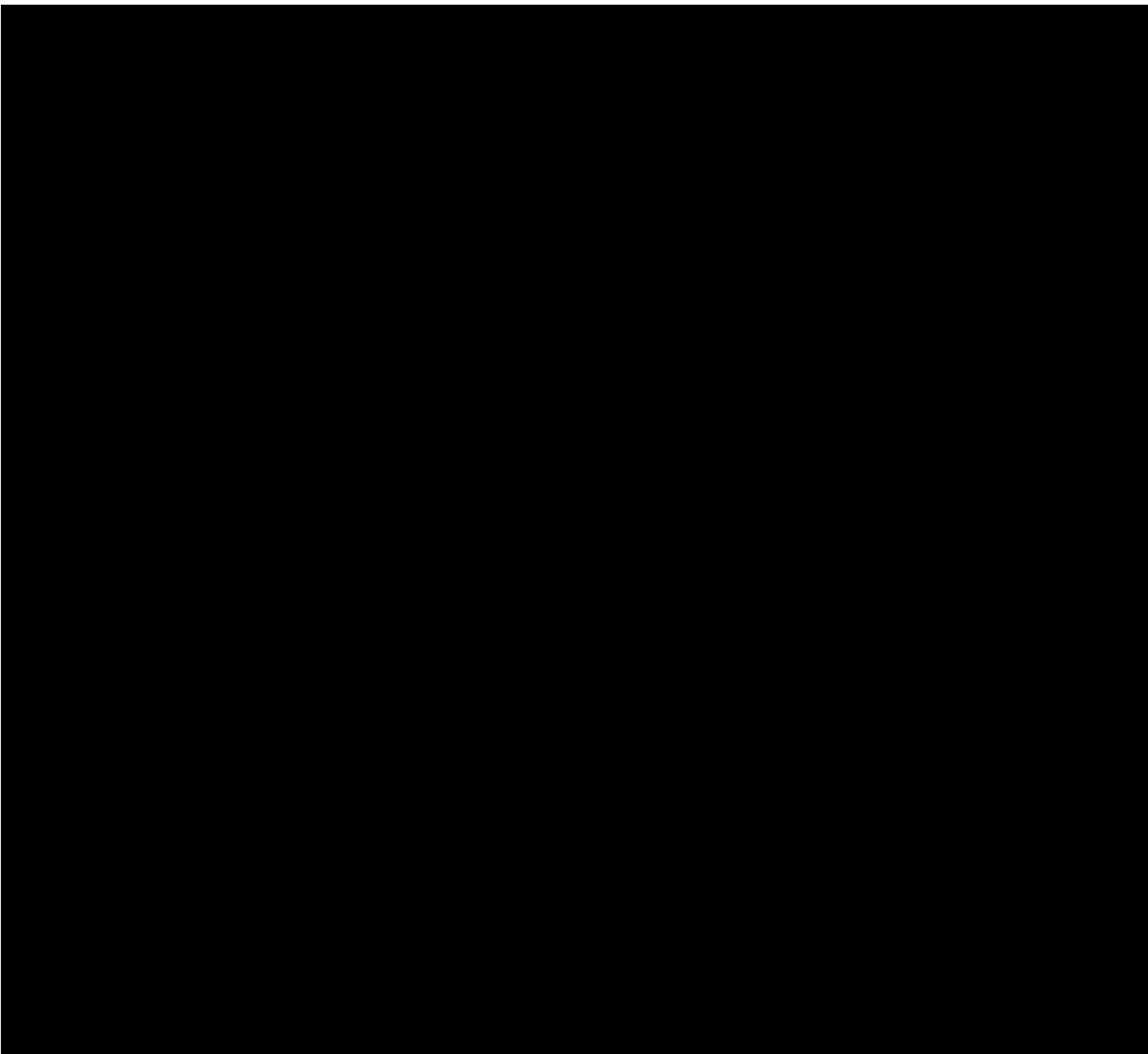
### **RFA**

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Scoring Rubric Design.

### **RFP**

SDG&E's RFP





### **PRG Recommendations**

The Public Advisor’s Office (PAO) advised SDG&E and the IE to discuss a few aspects of the scoring methodology and consider potential changes.

1)



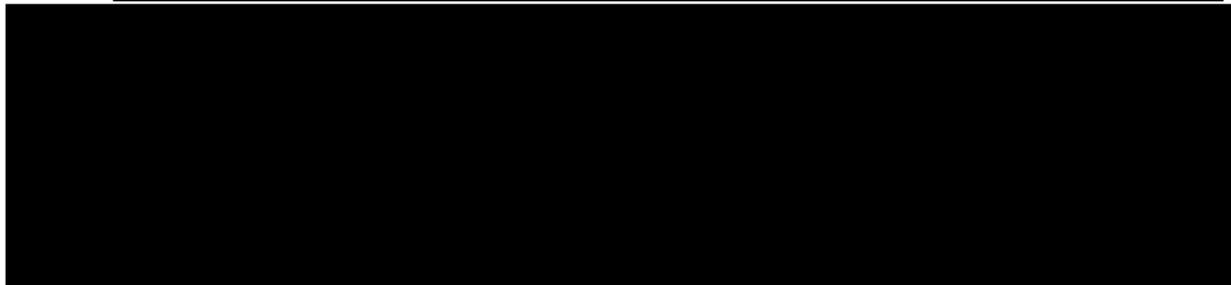
2)

The PAO raised these concerns just as SDG&E was preparing to release its RFA and indicated SDG&E should proceed with its release and then discuss the concerns with the IE prior to receiving abstracts from bidders.

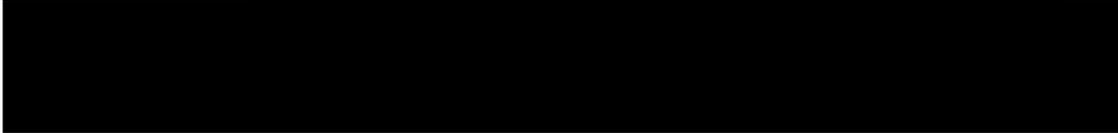




- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]



- SDG&E believes this area can be more accurately represented and scored during the RFP process whereby bidders are diving deeper into the overall program design and implementation processes and have more relevant potential staffing information available.
- The IE believes that most questions in the current Offer Form will demonstrate the bidders experience and capabilities without the need to specifically create a separate scoring carve out section.
- For the RFP stage, [Redacted]



### 4.3 Evaluation Team Profile

#### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Evaluation Team Profiles.

#### RFP

SDG&E’s position is not to provide names of individuals because it is “personally identifiable information” that SDG&E does not want in the public domain. However, as part of the July 15-16, 2020 Public Sector Fed and K-12 Evaluator Training, SDG&E did provide the names of each member of the scoring team.

For the RFA, all SDG&E evaluators scored all abstracts.

[Redacted]

- 
- 
- 
- 

[Redacted]

Table 4.3 provides additional details on the sections of the proposals that were scored by each group. In addition, [Redacted]

[Redacted]

#### Program Solicitations Evaluator Training, July 15-16, 2020

SDG&E conducted a joint solicitations evaluator training for the Public – Federal and K-12 solicitations on July 15 and 16. On Day One, the CMO team lead for each solicitation walked through the evaluator team introductions and roles, conflict of interest guidelines, evaluation timeline, where to access the necessary documents, evaluator score sheet directions, what to do when the scoring is complete, and next steps. SDG&E trainers emphasized the need for scoring team members to document everything – including notes on the workbook and page numbers of the RFP used as reference. They left the team with this guidance, “The more you note, the better!”

On Day Two, the CMO team lead set aside time to review some of the individual scoring criteria from the scorecard to ensure that all evaluators were clear on how to address the review. The extra session did allow for some mock exercises and was useful although fairly free form.

[REDACTED] generally the trainings appeared to be well received by the more seasoned veterans of the process.

One best practice as part of the RFP training was a weekly check-in by the CMO lead with each evaluator to ensure there were no outstanding issues or questions regarding evaluating any of the proposals. This process allows the CMO to get detailed questions from evaluators and timely answers and decreases the temptation for side discussions among evaluations about bidders or scoring.

#### **4.4 Response to PRG and IE Advice**

##### **RFA**

The November 2019 through March 2020 Semi-Annual Report provides information regarding Responses to PRG and IE Advice during the RFA stage.

##### **RFP**

During the RFP stage, the IE and PRG made several recommendations regarding the evaluation criteria:

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

- [REDACTED]

## 5. Final Bid Selection Assessment

### 5.1 Conformance with Established Evaluation Processes

#### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding Conformance of the RFA with Established Evaluation Processes.

#### RFP

SDG&E conducted its RFP evaluation in conformance with its established scoring criteria and process. As indicated in Section 4 above, all proposals that passed the First Gate Evaluation moved on to the scored and weighted portion of the evaluation. All five proposals passed the First Gate Evaluation.

#### Calibration

Once the scored evaluation was complete and the IE completed its shadow scoring, SDG&E held its calibration meetings September 9, 10 and 14. The IE monitored each calibration session.

[REDACTED]

The IE recommended that SDG&E review and discuss all bids and determine the natural break after the calibration meetings. *SDG&E adopted the IE's recommendation.*

[REDACTED]

The IE supported this approach. In addition, the IE requested discussion of particular questions that did not fit the criteria in order to determine if all evaluators were utilizing a similar approach or considering CPUC policies in the same way. The IE identified a handful of scores that fell into that category. *SDG&E adopted the IE's recommendation.*

Although it took some additional time to calibrate additional questions for several bidders and all abstracts, it was worth the effort as gaps between individual scorers narrowed and all bidders were given a fair process. The SDG&E team was very responsive to all IE recommendations throughout the process and did a thorough job of calibrating all proposals. Calibration

discussions were robust, and the scoring team frequently revisited the scoring criteria as part of the calibration to ensure all evaluators were scoring to the criteria.

## **5.2 Management of Deficient Bids**

All proposals passed SDG&E's First Gate and were scored as part of the Second Gate evaluation. All bids were discussed as part of the calibration meetings, and SDG&E maintained a consistent process for calibrating all proposals. The IE believes this process was fair to all bidders.

## **5.3 Shortlist and Final Selections**

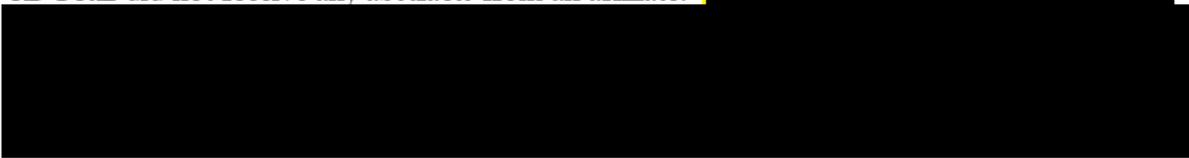
### **RFA**

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Shortlist and Final Selection process. The CPUC completed its review of SDG&E's RFA Shortlist on March 23, 2020.

### **RFP**

This solicitation activity has not yet occurred for the RFP; future Semi-Annual Reports will address this topic. SDG&E just completed RFP calibration meetings and will be inviting bidders to move on to the interview stage before shortlisting bidders for the contract negotiation stage of the solicitation.

## **5.4 Affiliate Bids and Conflict of Interest**

SDG&E did not receive any abstracts from an affiliate.   


## **6. Assessment of Selected Bids**

### **6.1 Bid Selections Respond to Portfolio Needs**

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

### **6.2 Bid Selections Provide the Best Overall Value to Ratepayers**

This solicitation activity has not yet occurred for the RFP; 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 Public Sector K-12 Solicitation**

Reporting Period: April 2020 through September 2020

*Prepared by:*  
MCR Corporate Services



**Disclaimer:** This report includes highly sensitive and confidential information.

# LOCAL PUBLIC SECTOR K-12

## 1. Solicitation Overview

### 1.1 Overview

SDG&E's Public–K-12 (K-12) solicitation is focused on contracting with third parties to propose, design, implement and deliver new EE programs that service Public Sector K-12.

The Public Sector is defined as a group of customers that are taxpayer funded, have political mandates, and that must go through a public budgeting and decision-making process. This sector makes up 12 percent of total electric consumption, with 70 percent of accounts under 20 kW within SDG&E's service territory.<sup>57</sup> This sector includes the K-12 Public Schools sub-sector consisting of 45 school districts across the SDG&E territory that represent 12 percent of billed electric consumption and four percent of billed therm consumption. The public sector has high visibility and influence within the customer base, and the potential for savings is great for this market.<sup>58</sup>

This sector has the following unique existing challenges:

- Long approval processes including Division of the State Architect and board approvals;
- Complex funding mechanisms and budgetary constraints;
- Timing interventions with school breaks;
- Security within school campuses; and
- Peak hour usage within K-12 facilities.

### Scope

SDG&E is seeking comprehensive and innovative turn-key EE program abstracts from non-utility companies for the Public Sector serving K-12 customers.<sup>59</sup> In addition to providing a path to Zero Net Energy for K-12 customers, a comprehensive program approach may include but is not limited to the following elements:<sup>60</sup>

- Benchmarking

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<sup>57</sup> SDG&E Public Sector – K-12 RFA, October 16, 2019, at p. 4.

<sup>58</sup> Id., at p. 5.

<sup>59</sup> Id., at p. 6.

<sup>60</sup> Id., at p. 5.

- Audits
- Measure Implementation
- Marketing Education & Outreach (ME&O)
- Financing
- Workforce Education & Training
- Objectives

The objective of the solicitation is to implement third-party EE programs that reliably capture and document cost effective energy (kWh, kW and/or therm) savings applicable to the public sector K-12 customers. The proposed program should provide energy savings for electric (kWh, kW) and/or natural gas (therm) for Program Years 2021 through 2025 (the last two years are potential contract extension years). Annual budget range proposed should be between [REDACTED] which may be divided among multiple winning implementers.<sup>61</sup>

Status: This solicitation is nearing the end of the RFP stage (Stage 2) of the two-stage process approved by the CPUC in Decision D.18-01-004.

## 1.2 Timing

Table 1.2 includes key milestones for all stages of the Solicitation.<sup>62</sup>

Table 1.2: Key Milestones <sup>63</sup>	
Milestones	Completion Date
<b>RFA Stage</b>	
1. RFA Released	October 16, 2019
2. Optional Bidder Conference	October 29, 2019
3. Bidder Questions Due	November 13, 2019
4. Responses to Bidder Questions Due	November 20, 2019
5. Bidder Abstract Submission Due	November 27, 2019
6. Submittal Review	December 2, 2019–February 21, 2020
7. Shortlist Presented to PRG	March 10, 2020
7. Bidders Notified - Advancement to RFP Stage	March 24, 2020

<sup>61</sup> Id., at p. 6.

<sup>62</sup> Id., at p. 15.

<sup>63</sup> This schedule is the schedule posted by SDG&E in PowerAdvocate.

Table 1.2: Key Milestones <sup>63</sup>	
Milestones	Completion Date
<b>RFP Stage</b>	
1. RFP Released	May 22, 2020
2. Optional Bidder Conference (Skype)	June 1, 2020
3. Bidder Questions Due Round 1	June 4, 2020
4. Responses to Bidder Questions	June 9, 2020
3. Bidder Questions Due Round 2	June 12, 2020
4. Responses to Bidder Questions	June 17, 2020
5. Bidder's Proposal Due	July 16, 2020
6. Proposal Review, Bid Clarification Discussions	June 17, 2020–September 16, 2020
7. Selected Bidder Interviews	October 23, 2020–October 29, 2020
8. Proposal Review Period Ends, Bidders Notified	November 14, 2020
<b>Contracting Stage</b>	
1. Notification Selection (Subject to Negotiations)	November 18, 2020
2. Contract Development and Negotiation	November 30, 2020–January 29, 2021
3. EE PRG/IE Review of Contract	February 4, 2021–February 12, 2021
4. SDG&E's Advice Letter Filing to CPUC	Q2 2021
5. Purchase Order/Contract Signed	Q1 2021
6. Program Ramp-Up Begins	Q3 2021
7. Full Program Roll Out	Q3 2021

### 1.3 Key Observations

Table 1.3 represents a collection of key IE issues, observations, and outcomes, where applicable, from the assigned IE for the Public—K-12 solicitation.

Table 1.3: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Timing of Avoided Costs	2021 avoided costs were released via CEDARS just as bidders were submitting their proposals	IOUs should have a process in place for this situation. Will they require all bidders to update with new avoided costs within certain number of days or before bids are submitted or not at all? Because of the timing, our recommendation was to proceed to calibration and only have bidders rerun CETs if scores are too tight to determine final selection outcome; otherwise rerun at interview stage.	SDG&E agreed with IE's approach.

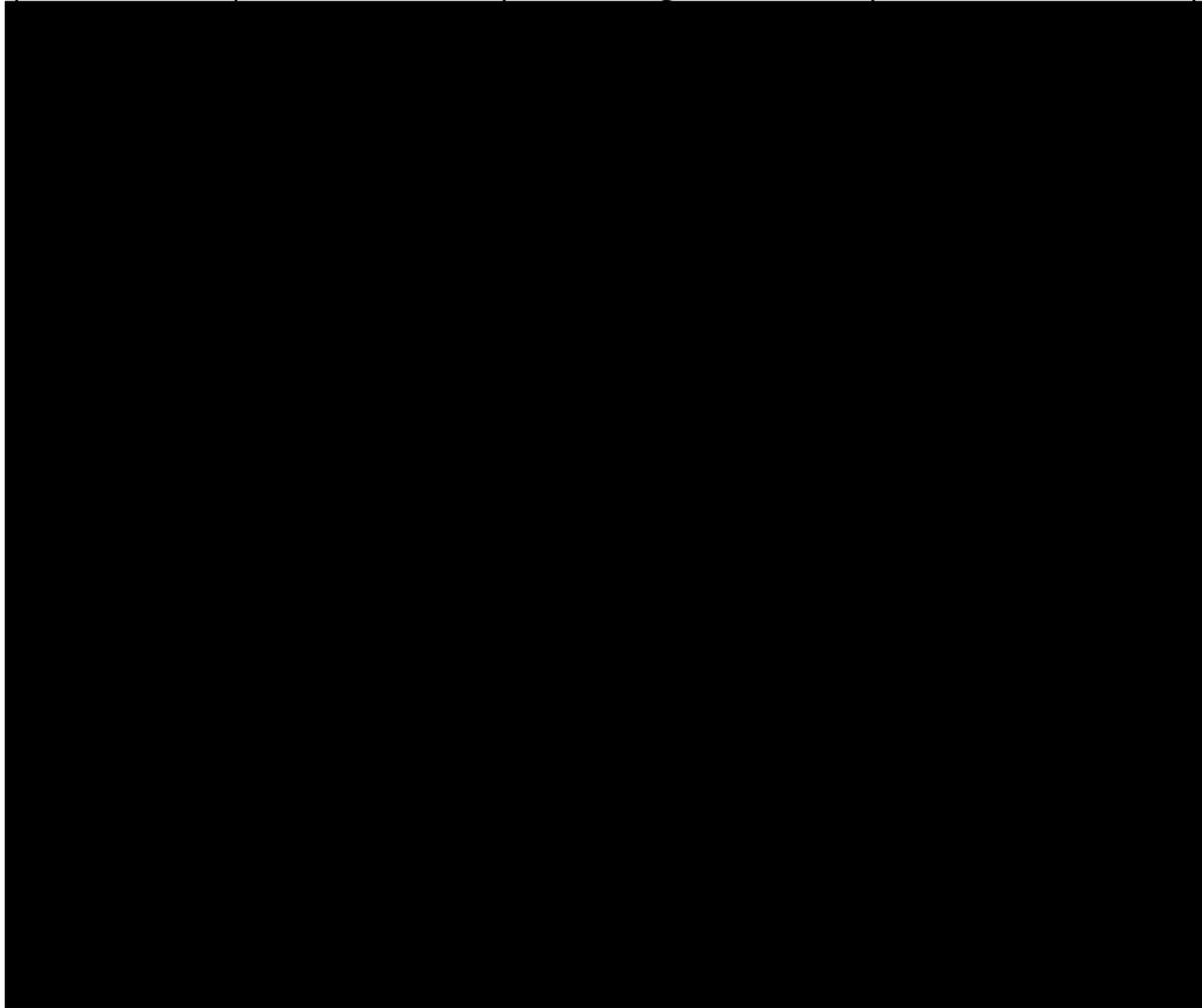


Table 1.3: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Evaluator Training	SDG&E's evaluator training did not include mock scoring exercises.	The training could have included some mock exercises to calibrate the scoring and walk the team through how to approach specific challenges that might arise.	SDG&E set aside second day of training at RFP stage for targeted questions about specific sections, which was an improvement over the RFA, but mock scoring exercises would be better.

Table 1.3: IE Observations and Outcomes			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Evaluation	SDG&E CMO lead has weekly check-in with each evaluator to answer any questions regarding proposal evaluation.	Process allows CMO to get detailed questions from valuator and provide timely responses. Eliminates temptation for group think among evaluators prior to calibration. IE suggests this be adopted as a best practice. Regularity could be more frequent if needed.	No response required.

## 2. Solicitation Outreach and Bidder Response

### 2.1 Bidder Response to Solicitation

The November 2019 through March 2020 Semi-Annual Report provides information regarding the Bidder Response to the RFA, however, the summary is included again in Table 2.1 below.

SDG&E launched its K-12 RFP on May 22, 2020. Bidders were notified in PowerAdvocate.

At the end of the RFP submission period, all five bidders who were invited to participate did submit proposals for consideration for the Public Sector-K-12 sector solicitation.

Table 2.1: Solicitation Response	
	No.
Abstracts Expected	
Abstracts Received	
Abstracts Disqualified	



Table 2.1: Solicitation Response	
	No.
Proposals Expected	
Proposals Received	
Proposals Disqualified	

## 2.2 Bidder's Conference and Q&A

### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Bidders' Conference held on October 29, 2019.

### RFP

Table 2.2 below contains information on SDG&E's RFP Bidders' Conference held on June 1, 2020 for both the Public Federal and K-12 solicitations.

Table 2.2: Bidder Conferences	
RFA Bidder Conference Date	June 1, 2020
No. of Attendees	
No. of questions received	11

The Bidders' Conference was conducted on Slido, and [REDACTED] represented all the bidding companies in both solicitations with one exception. One K-12 bidder did not participate. The Bidders' Conference was scheduled for two hours but moved quickly and was completed in just over one hour. SDG&E did a good job of presenting the materials and was well prepared. There were 11 questions asked via Slido: five questions related to TRC/CET, five questions related to how to submit information and one question on program eligibility.

The Bidder's Conference was followed with two rounds of Q&A in June before proposals were due on July 16. Several questions related to the process, such as how to attach files and how to submit process flow diagrams, etc. Substantive questions included the following:

- Q: Will SDG&E provide "Measure map" of all eligible measures (and measure codes) and associated ex ante values, to facilitate CET input selection?

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- A: No. SDG&E expects the bidder to have a solid understanding of the eligible measures and values, as well as the knowledge to utilize the tools to obtain this information.
- Q: How do we reflect DBE spend if the prime is the certified DBE?
  - A: If the bidders is a certified DBE, the participation would be 100%
- Q: Can you confirm that measures under the program are not subject to the prevailing wage requirement?
  - A: Energy efficiency projects require the payment of prevailing wages if the project meets the requirements of statute 1720.6: (1) performed on government property and (2) primarily intended to reduce energy costs that “would otherwise be incurred by the state or a political subdivision of the state.” K-12 schools would be considered government if the land is owned by a school district or leased from a government entity.
- Q: Any insights into why de-lamping does not qualify under the current SDG&E Business rebate program for Type A tubes?
  - A: Programs in the IOU’s portfolio are required to demonstrate program influence. The LED T8 lamp (Type A, Type A+B) workpaper restricts or omits de-lamp of Linear fluorescents because the deemed savings is based on replacing lamp for lamp – where a measure must provide the same level of service. De-lamping is considered free ridership because the customer is more than likely going to do it without any influence from the program.

### 2.3 Solicitation Design Assessment

SDG&E devoted a chapter of its Energy Efficiency Business Plan 2018-2025 (January 2017) to defining the opportunities and challenges of the Public Sector. One of SDG&E’s stated goals is to “eliminate barriers to public sector participation by developing tailored solutions and financing options.”<sup>66</sup>

The Business Plan’s three goals for this sector are:

- Education—Empower Leaders by equipping them with knowledge and tools to make informed EE decisions.
- Penetration—Eliminate Barriers to Public Sector Participation by developing tailored solutions and financing options.
- Savings—Influence Private Sector EE Activities through reach codes and engagement.

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<sup>66</sup> SDG&E Energy Efficiency Business Plan 2018-2025, January 2017, at pp. 6-7.

### 3. RFA and RFP Design and Materials Assessment

#### 3.1 RFA Design Requirements and Materials

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Design Requirements and Materials.

#### 3.2 RFP Design Requirements and Materials

RFP development began in April 2020. SDG&E spent considerable time designing the workbook questions for bidders as this presented challenges at the RFA stage. [REDACTED]

[REDACTED] SDG&E agreed to make these changes throughout the Proposal Form and Master Scoring Workbook for the RFP Stage.

While these changes to the Master Scoring Workbook are an improvement over the RFA stage, [REDACTED]

#### 3.3 Response to PRG and IE Advice

##### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding the IOU's Response to PRG and IE Advice regarding RFA Design and Materials.

##### RFP

[REDACTED] SDG&E has been responsive to recommendations by the IE and PRG regarding RFP design. SDG&E adopted the majority of the IE's recommendations throughout the RFP development process. SDG&E also discussed all PRG comments with the IE and adopted most of the PRG's suggestions. Examples are included below:

- SDG&E added language to remind bidders that RFP needed to be consistent with RFA. SDG&E also included helpful examples of allowable changes.
- SDG&E added CalEnviroScreen link for a map of cities that include DAC.
- SDG&E removed language that excluded behavioral programs.
- SDG&E redesigned Master Scoring Workbook and Proposal Form for RFP stage, per Section 2.2 above, to reflect recommendations of IE.

### 4. Bid Evaluation Methodology Assessment

## 4.1 Bid Screening Process

### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Bid Screening Processes.

### RFP

SDG&E's bid screening process<sup>67</sup> is separated into a preliminary First Gate Evaluation (RFP Threshold Assessment) to determine the responsiveness of the submittal and a Second Gate Evaluation for submittals that meet the minimum threshold requirements. See Table 4.1 below.



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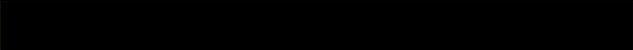
<sup>67</sup> SDG&E Public Sector – K-12 RFP, May 22, 2020, at pp. 16-17: Evaluation Criteria and Process.

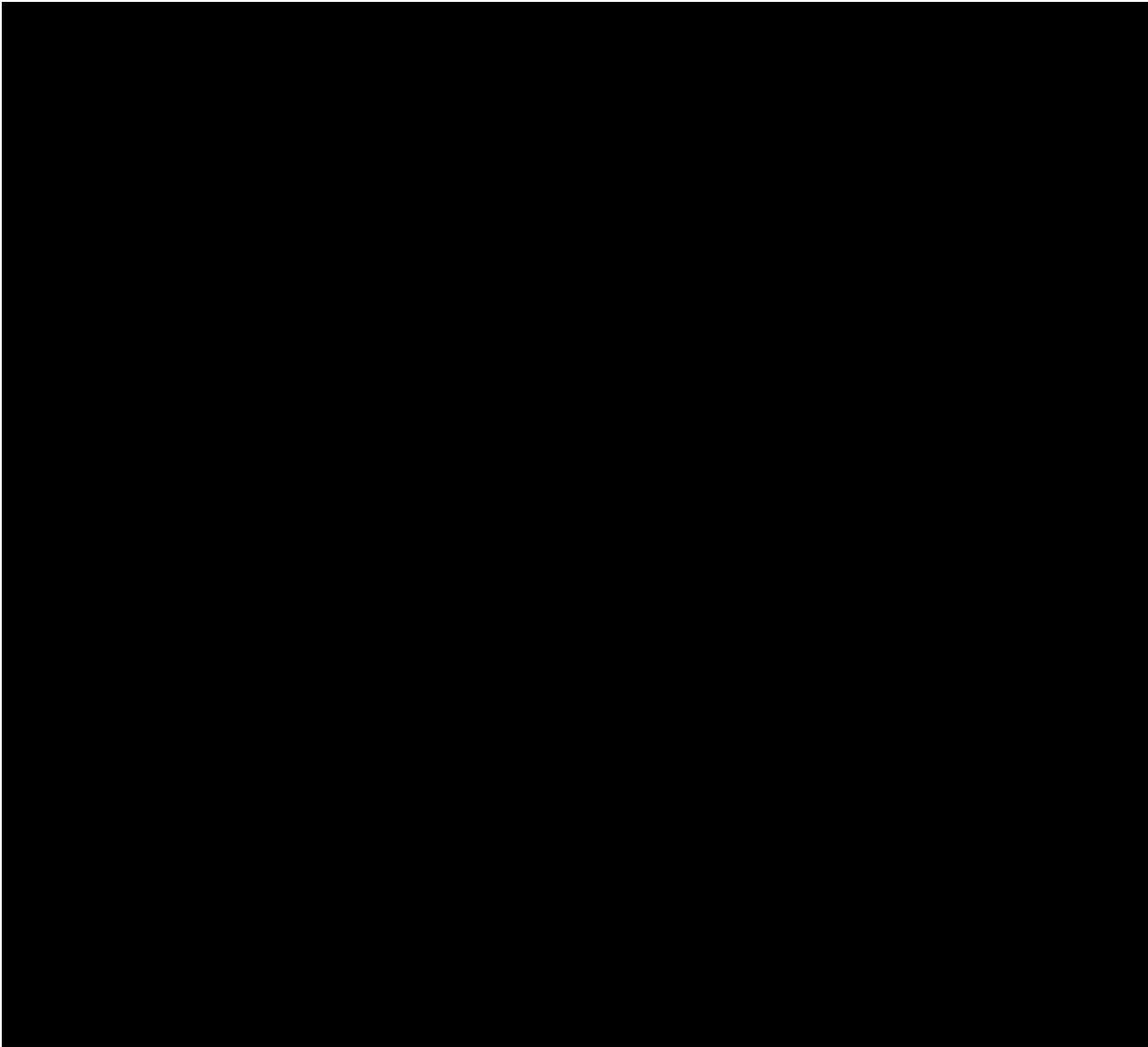
## **4.2 Scoring Rubric Design**

### **RFA**

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Scoring Rubric Design.

### **RFP**

SDG&E's 



### **PRG Recommendations**

The Public Advisor's Office (PAO) advised SDG&E and the IE to discuss a few aspects of the scoring methodology and consider potential changes.

1)

2)

The PAO raised these concerns just as SDG&E was preparing to release its RFA and indicated SDG&E should proceed with its release and then discuss the concerns with the IE prior to receiving abstracts from bidders.

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- SDG&E believes this area can be more accurately represented and scored during the RFP process whereby bidders are diving deeper into the overall program design and

implementation processes and have more relevant potential staffing information available.

- The IE believes that most questions in the current Offer Form will demonstrate the bidders experience and capabilities without the need to specifically create a separate scoring carve out section.
- For the RFP stage, [REDACTED]

### 4.3 Evaluation Team Profile

#### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Evaluation Team Profiles.

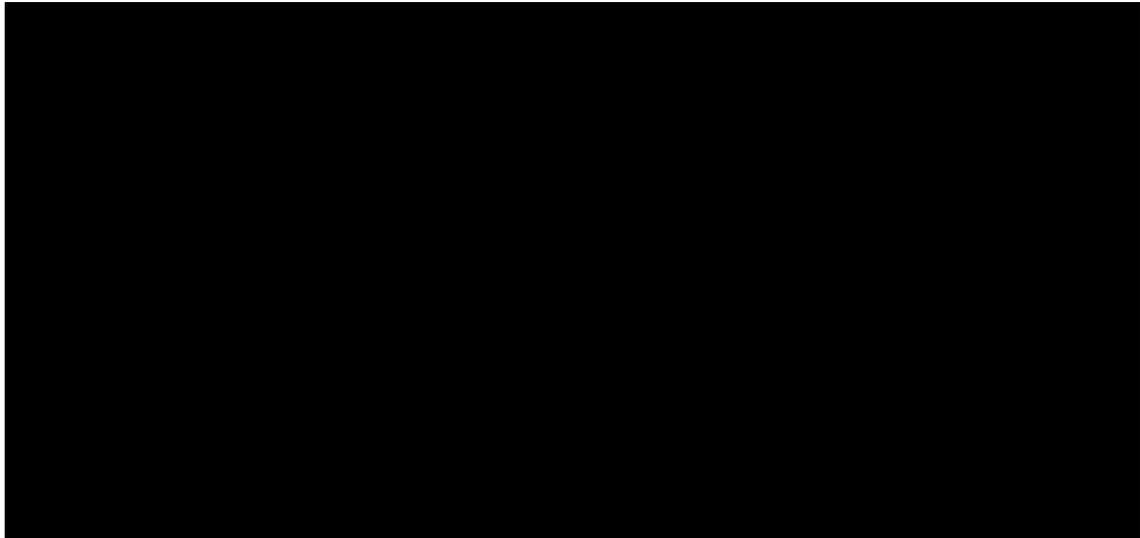
#### RFP

SDG&E’s position is not to provide names of individuals because it is “personally identifiable information” that SDG&E does not want in the public domain. However, as part of the July 15-16, 2020 Public Sector Fed and K-12 Evaluator Training, SDG&E did provide the names of each member of the scoring team.

For the RFA, all SDG&E evaluators scored all abstracts. [REDACTED]

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

Table 4.3 provides additional details on the sections of the proposals that were scored by each group. In addition, the [REDACTED]



### **Program Solicitations Evaluator Training, July 15-16, 2020**

SDG&E conducted a joint solicitations evaluator training for the Public – Federal and K-12 solicitations on July 15 and 16. On Day One, the CMO team lead for each solicitation walked through the evaluator team introductions and roles, conflict of interest guidelines, evaluation timeline, where to access the necessary documents, evaluator score sheet directions, what to do when the scoring is complete, and next steps. SDG&E trainers emphasized the need for scoring team members to document everything – including notes on the workbook and page numbers of the RFP used as reference. They left the team with this guidance, “The more you note, the better!”

On Day Two, the CMO team lead set aside time to review some of the individual scoring criteria from the scorecard to ensure that all evaluators were clear on how to address the review. The extra session did allow for some mock exercises and was useful although fairly free form.

[REDACTED] the trainings appeared to be well received by the more seasoned veterans of the process.

One best practice as part of the RFP training was a weekly check-in by the CMO lead with each evaluator to ensure there were no outstanding issues or questions regarding evaluating any of the proposals. This process allows the CMO to get detailed questions from evaluators and timely answers and decreases the temptation for side discussions among evaluations about bidders or scoring.

## **4.4 Response to PRG and IE Advice**

### **RFA**

The November 2019 through March 2020 Semi-Annual Report provides information regarding Responses to PRG and IE Advice during the RFA stage.

## RFP

During the RFP stage, the IE and PRG [REDACTED]

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

- The IE recommended that SDG&E conduct a mock scoring exercise with the scoring team to calibrate criteria definitions within the scorecard. SDG&E did allow a second training session for the RFP evaluator training, but mock scoring exercises were not part of the training.

## 5. Final Bid Selection Assessment

### 5.1 Conformance with Established Evaluation Processes

#### RFA

The November 2019 through March 2020 Semi-Annual Report provides information regarding Conformance of the RFA with Established Evaluation Processes.

#### RFP

SDG&E conducted its RFP evaluation in conformance with its established scoring criteria and process. As indicated in Section 4 above, all proposals that passed the First Gate Evaluation moved on to the scored and weighted portion of the evaluation. All [REDACTED] passed the First Gate Evaluation.

#### Calibration

Once the scored evaluation was complete and the IE completed its shadow scoring, SDG&E held its calibration meetings September 9-10 and 14, 2020. The IE monitored each calibration session.

[REDACTED] The IE recommended that SDG&E review and discuss all bids and determine the natural break after the calibration meetings. *SDG&E adopted the IE's recommendation.*

[REDACTED] The IE supported this approach. In addition, the IE requested discussion of particular questions that did not fit the criteria in order to determine if all evaluators were utilizing a similar approach or considering CPUC policies in the same way. The IE identified a handful of scores that fell into that category. *SDG&E adopted the IE's recommendation.*

Although it took some additional time to calibrate additional questions for several bidders and all abstracts, it was worth the effort as gaps between individual scorers narrowed and all bidders were given a fair process. The SDG&E team was very responsive to all IE recommendations throughout the process and did a thorough job of calibrating all proposals. Calibration discussions were robust, and the scoring team frequently revisited the scoring criteria as part of the calibration to ensure all evaluators were scoring to the criteria.

## **5.2 Management of Deficient Bids**

All proposals passed SDG&E's First Gate and were scored as part of the Second Gate evaluation. All bids were discussed as part of the calibration meetings, and SDG&E maintained a consistent process for calibrating all proposals. The IE believes this process was fair to all bidders.

## **5.3 Shortlist and Final Selections**

### **RFA**

The November 2019 through March 2020 Semi-Annual Report provides information regarding the RFA Shortlist and Final Selection process. The CPUC completed its review of SDG&E's RFA Shortlist on March 23, 2020.

### **RFP**

This solicitation activity has not yet occurred for the RFP; future Semi-Annual Reports will address this topic. SDG&E just completed RFP calibration meetings and will be inviting bidders to move on to the interview stage before shortlisting bidders for the contract negotiation stage of the solicitation.

## **5.4 Affiliate Bids and Conflict of Interest**

SDG&E did not receive any abstracts from an affiliate. [REDACTED]



**6. Assessment of Selected Bids**

**6.1 Bid Selections Respond to Portfolio Needs**

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

**6.2 Bid Selections Provide the Best Overall Value to Ratepayers**

This solicitation activity has not yet occurred for the RFP; 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.