

**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**

Siobhán E. Murillo  
8330 Century Park Court, CP 32D  
San Diego, CA 92123-1530  
Telephone: (619) 616-0624  
Facsimile: (619) 699-5027  
Email: [smurill1@sdge.com](mailto:smurill1@sdge.com)

Attorney for:  
SAN DIEGO GAS & ELECTRIC COMPANY

December 14, 2022

**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)**

Pursuant to Decision (D.) 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 2022 through September 2022. 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 14th day of December 2022, at San Diego, California.

Respectfully submitted,

By: /s/ Siobhán E. Murillo  
Siobhan E. Murillo  
8330 Century Park Court, CP 32D  
San Diego, CA 92123-1530  
Telephone: (619) 616-0624  
Email: smurill1@sdge.com

Attorney for:  
SAN DIEGO GAS & ELECTRIC COMPANY

---

<sup>1</sup> D.18-01-004, Ordering Paragraph 5c at 63.

**ATTACHMENT A**

**SEMI-ANNUAL INDEPENDENT EVALUATORS' REPORT**

**(CONFIDENTIAL INFORMATION HAS BEEN REDACTED FROM ATTACHMENT A. A CORRESPONDING MOTION TO FILE UNDER SEAL WILL BE FILED WITH THE COMMISSION'S DOCKET OFFICE)**

# **Semi-Annual Report**

---

## **SAN DIEGO GAS & ELECTRIC COMPANY**

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

Reporting Period: April 2022 through September 2022

*Prepared by Independent Evaluators:*

Barakat Consulting, Inc.

Don Arambula Consulting

MCR Corporate Services

The Mendota Group, LLC

December 2022

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

# INDEPENDENT EVALUATORS' SEMI-ANNUAL REPORT

## SAN DIEGO GAS & ELECTRIC COMPANY

### TABLE OF CONTENTS

I.	Overview.....	1
	A. Purpose.....	1
	B. Background.....	1
	C. Overview of Solicitations.....	3
	D. IE Assessment of Solicitations.....	7
	E. Effective Solicitation Practices.....	10
	F. PRG Feedback on Solicitations.....	12
	G. Stakeholder Feedback from CPUC Workshops.....	12
II.	Attachments: Individual IE Semi-Annual Solicitation Reports.....	14
	Local Residential Single-Family.....	16
	Statewide Plug Load and Appliance.....	43
	Local Government.....	56
	Local Agriculture.....	84
	Statewide Residential HVAC Quality Installation and Quality Maintenance.....	106
	Local Behavioral Segment.....	111
	Local Industrial Sector.....	132
	Local Industrial–Port Tenants.....	158
	Small Business Outreach.....	183
	Local Workforce Education & Training/Integrated Energy Education & Training..	201

# I. Overview

## A. Purpose

The Independent Evaluators' (IE) Semi-Annual Report (Semi-Annual Report or Report) provides an assessment of San Diego Gas & Electric's (SDG&E or the Company), third-party energy efficiency (EE) program solicitation process, and progress by SDG&E's assigned IEs.

Each investor-owned utility (IOU) is required to select and utilize a pool of IEs with EE expertise to serve as consultants to the Procurement Review Group (PRG).<sup>1</sup> For the entire solicitation process, the IE serves as a consultant to the PRGs, participates in PRG meetings, and provides assessments of the overall third-party solicitation process and progress.<sup>2</sup> The IEs are privy to viewing all submissions, are invited to participate in SDG&E'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 be filed in the relevant EE rulemaking proceeding.<sup>3</sup> This Report is provided in response to this requirement and represents an assessment of the program solicitation activities conducted from April 1, 2022, through September 30, 2022. This Report provides feedback to SDG&E, the PRG, and other stakeholders on the progress of SDG&E's EE program solicitations in compliance with this CPUC direction.

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

## B. Background

In August 2016, the CPUC adopted Decision 16-08-019, which defined a "third-party program" as a program proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator (PA). In January 2018, the CPUC adopted Decision 18-01-004 directing the four California IOUs—SDG&E, Pacific Gas and Electric (PG&E), Southern California Edison (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

---

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

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

<sup>3</sup> Id, Ordering Paragraph 5.c.

predetermined dates over the next three years.<sup>4</sup> Further directions were included in Decision 18-05-041, which states:

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

The CPUC also requires each IOU to assemble an EE PRG. SDG&E's PRG, a CPUC-endorsed entity, is composed of non-financially interested parties such as advocacy groups, utility-related labor unions, and other non-commercial, energy-related special interest groups. The PRG oversees SDG&E'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 periodically throughout the process on topics including RFA and RFP language development, abstract and proposal evaluation, contract negotiations, and development of the program's Implementation Plan (IP).

## **Extension Request**

In October 2019, to comply with the CPUC's 25 percent requirement, SDG&E requested an extension to June 30, 2020, to give them time to sign contracts associated with the Small Commercial, Large Commercial, and Multifamily solicitations. On November 25, 2019, the CPUC's Energy Division granted SDG&E's request for an 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. The CPUC will grant no further extensions of time to the IOUs for meeting the third-party percentage requirements specified in Ordering Paragraph 4 of Decision 18-05-041.

---

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

<sup>5</sup> Ordering paragraph 5.C.

<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.

## Guidance Letter from Energy Division

On March 11, 2020, the Energy Division provided additional guidance to the IOUs in response to concerns raised during the semi-annual CPUC-hosted public workshops about solicitation delays:

### Solicitation Schedules

- 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 an invitation to contract negotiation unless the IOU is conducting multiple negotiations within the same solicitation, the program is complex, or the agreement addresses challenging contract elements.
- Update the solicitation schedules in the next quarterly update.

### RFA Guidance

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

### IOU Communication to Bidders

- Notify bidders of the status of the solicitation throughout the entire process.
- Provide better feedback to bidders by delivering on 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, Energy Division encourages the IOUs to make feedback available to bidders notified prior to the date of this letter that they did not advance to the next stage of solicitations.

## C. Overview of Solicitations

This Report represents a collection of individual IE assessments for each of SDG&E's active program solicitations. The Report also provides an overview of solicitation activities and a high-level summary of issues and potential recommendations gleaned from the individual IE assessments for ease of review. The Report does not address 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			
	Solicitations	Assigned IEs	Solicitation Status
1	Local Small Commercial	The Mendota Group	Complete
2	Local Large Commercial	The Mendota Group	Complete
3	Local Multifamily Residential	MCR Corporate Services	Complete
4	Local Residential Single-Family (SF) 1.0	Don Arambula Consulting	Canceled
5	Local Residential SF 2.0	Don Arambula Consulting	Complete
6	Statewide Plug Load and Appliance (PLA)	Don Arambula Consulting	Complete
7	Statewide Upstream/Midstream Heating, Ventilation, and Air-Conditioning (HVAC)	The Mendota Group	Complete
8	Local Public Sector Federal	MCR Corporate Services	Complete
9	Local Public Sector K-12	MCR Corporate Services	Complete
10	Local Government	Don Arambula Consulting	Complete
11	Local Agriculture	Barakat Consulting, Inc.	Complete
12	Statewide Residential HVAC Quality Installation and Quality Maintenance	Don Arambula Consulting	Contracting
13	Local Behavioral	MCR Corporate Services	Contracting
14	Local Industrial Sector	The Mendota Group	Complete
15	Local Industrial Sector – Port Tenants	The Mendota Group	Complete
16	Local Workforce Education & Training/Integrated Energy Education and Training	Barakat Consulting, Inc	RFA
17	Small Business Outreach	MCR Corporate Services	RFA

**Table C.1: Solicitations Overview**

	Solicitations	Assigned IEs	Solicitation Status
<p>Legend</p> <p><b>Pre-RFA:</b> Activities conducted before RFA release.</p> <p><b>RFA:</b> Includes bid preparation and evaluation period.</p> <p><b>Pre-RFP:</b> Activities conducted before RFP release.</p> <p><b>RFP:</b> Includes bid preparation and evaluation period.</p> <p><b>Contracting:</b> Contract negotiations are being held.</p> <p><b>Contract Executed:</b> Both parties signed the Contract.</p> <p><b>Complete:</b> All solicitation activities have been concluded and reported in prior Semi-annual reports.</p> <p><b>Suspended:</b> Solicitation held until a later date.</p> <p><b>Canceled:</b> Solicitation is withdrawn; scope may be included as part of a future solicitation.</p>			

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

**Table C.2: Executed Third-Party EE Program Contracts**

Solicitation	Implementer	Program Name	Contract Execution Date	Contract Value <sup>8</sup>	DBE% <sup>9</sup>
Local Small Commercial	Willdan Energy Solutions	Small Commercial Program	June 30, 2020	\$46,200,000	40.0%
Local Large Commercial	TRC Solutions, Inc.	Comprehensive Energy Management Solutions	June 30, 2020	\$45,681,894	7.2%
Local Multifamily Residential	Synergy Companies	Residential Zero Net Energy (ZNE) Transformation Program	June 30, 2020	\$14,570,000	40.0%

<sup>8</sup> All contract values as of March 31, 2022; final values will be reflected in Advice Letter filings and IE Final Reports.

<sup>9</sup> The Diverse Business Enterprise (DBE) spend is an estimate from the contracts to show the percentage of the budget that is expected to be subcontracted with DBE firms. Actual DBE spending will be reported by the IOU per General Order 156.

**Table C.2: Executed Third-Party EE Program Contracts**

Solicitation	Implementer	Program Name	Contract Execution Date	Contract Value <sup>8</sup>	DBE% <sup>9</sup>
Statewide Upstream/Midstream HVAC	CLEARresult Consulting, Inc.	Comfortably California Program	September 30, 2020	\$36,974,313	3.0%
Public Sector: Federal	TRC Solutions, Inc.	Federal Energy Program	July 1, 2021	\$18,360,000	6.3%
Public Sector: K-12	California Retrofit, LLC	K-12 Schools EE Program	July 1, 2021	\$10,501,926	100.0%
Local Government	Okapi Architecture	Climate Action Path for ZNE Program	June 3, 2022	\$9,164,924	100.0%
Local Residential Single-Family 2.0	Synergy Companies	Residential Energy Solutions	May 31, 2022	\$5,516,400	40%
Local Agriculture	Cascade Energy, Inc.	Ag-STAR	July 1, 2022	\$2,247,714	0%
Local Industrial	Cascade Energy, Inc.	SMART Industrials Program	August 31, 2022	\$15,950,957	8.3%
Statewide Plug Load and Appliance (PLA)	CLEARresult Consulting, Inc.	California Instant Rebate Program	January 19, 2022	\$47,878,624	6.0%
Local Industrial - Port Tenants	Cascade Energy, Inc.	SMART	August 31, 2022	See Note <sup>10</sup>	
Total				\$253,046,752	

<sup>10</sup> SDG&E selected Cascade Energy, Inc. to implement both the Local Industrial and Local Industrial/Port Tenants programs. The Company combined the two scopes into a single agreement during contracting.

## D. IE Assessment of Solicitations

Table D.1 presents key observations gleaned from the individual IE reports on specific solicitations, as further detailed in Attachment II.

Table D.1: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Increase the Number of Evaluators	SDG&E typically has two evaluators score the non-technical bidder responses (e.g., program design, program operations, etc.).	To create a more robust evaluation, the IEs encourage SDG&E to increase the number of evaluators to a minimum of three members in future solicitations.	SDG&E has begun to increase the number of evaluators at the RFA and RFP stages.
Bidder Interview Process	SDG&E holds bidder interviews seeking clarifications on specific aspects of a proposal before final selection. SDG&E uses a scorecard to record considered scores along with the RFP scores in the final proposal selection.	The IEs recommend that SDG&E make key adjustments to the bidder interview process, including interviews prior to final calibration.	SDG&E has collaborated with its collective IEs to improve the bidder interview process.
Bidder Feedback	Notifications to non-selected bidders historically have not provided details regarding rationale.	All IEs have encouraged IOUs to provide more detail to bidders so they can improve future submittals.	SDG&E has improved its bidder feedback process by providing more details in written notifications and offering bidders debrief sessions. Debrief sessions also include an opportunity for bidders to give feedback to SDG&E.
Evaluating Bidder's Redlines to Terms and Conditions (Ts&Cs)	SDG&E requires bidders to provide redlines to their proposed additional Ts&Cs.  SDG&E scores the bidder redlines as part of its overall assessment of the bidder's proposal.	SDG&E should not seek redlines from the bidders at the RFP stage. Consistent with the CPUC direction, proposed changes to the CPUC's modifiable Ts&Cs should be addressed by either contracting party during contract negotiations.	SDG&E has not accepted the recommendation and prefers to review and score the bidder's proposed redlines to the Company's Ts&Cs.

**Table D.1: Key Issues and Observations**

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Reduce Solicitation Timelines	The solicitation timelines have been longer than necessary. Extended evaluation and contract negotiation phases have contributed to delays.	SDG&E should strive to reduce the solicitation timelines.	SDG&E has successfully reduced timelines and continues to refine its solicitation process to respond further to concerns.
Accelerate Contract Negotiations	Contract negotiations often take longer than practical.	SDG&E should work with the collective IEs to accelerate the contract negotiations. These improvements could include weekly contract negotiation meetings, first addressing the most important issues (e.g., compensation), refining the standard contract, and improvements to SDG&E’s internal contract approval process.	SDG&E is in the process of adopting this recommendation.

**Table D.1: Key Issues and Observations**

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Reporting to the PRG	SDG&E presented the general status of contract negotiations to the PRG at monthly PRG meetings throughout contract negotiations.	The IOU should share more details during the PRG monthly meetings on ongoing contracting issues emerging during negotiations in future solicitations.	SDG&E has adopted this recommendation for recent solicitations.
Program Innovation	SDG&E’s current contract template does not require an explanation of a program’s innovative features.  Program innovation is a key CPUC policy reason for expanding third-party implementation.	SDG&E should modify its contract template to require parties to describe the program’s innovative features. This will hold the implementer accountable for implementing such features	SDG&E has adopted this recommendation for recent solicitations.
Performance Assurance (i.e., letter of credit or cash deposit)	Depending on the bidder’s financial status, the IOU may require a Performance Assurance (i.e., a letter of credit or cash deposit).  Such a Performance Assurance contract requirement places an additional cost on the Implementer.	SDG&E should not require a Performance Assurance, especially under a pay-for-performance compensation arrangement. The financial risk exposure to ratepayers for an Implementer who does not perform is limited. CPUC policies make clear there should be a balance of risk between the program implementer and the ratepayer. A Performance Assurance provision places all financial risk onto the Implementer.	Pending.

## E. Effective Solicitation Practices

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

Table E.1: Effective Solicitation Practices		
Effective Practice	IE Analysis	First Reported in Semi-Annual Report
Evaluation Team Check-in Meetings	The SDG&E evaluation team met periodically to check the evaluators' progress with their reviews. These check-in meetings encourage evaluators to conduct scoring at a reasonable cadence throughout the review period. These meetings also allowed evaluators to ask clarifying questions on the proper application of scoring criteria as they conducted their evaluations.	December 2022
Monthly IE Coordination Meetings	SDG&E enabled the collective IEs to meet monthly to discuss emerging issues and find a common recommendation to present to the IOU. The collaboration provided the IOU with consistent, well-vetted recommendations associated with the various solicitations.	December 2022
Reduce RFA/RFP Requirements for Bidders	SDG&E significantly reduced the number of questions a bidder must respond to in the RFA and RFP stages. This reduction in bidder requirements likely helped reduce the burden on participating bidders.	December 2022
Address Divergent Scores in Evaluator Calibration Sessions	On a five-point scale, a two-point difference among scores indicates a significant divergence among evaluators. SDG&E now automatically applies a two-point threshold as part of all calibration meetings.	December 2022
Bidder Interviews	SDG&E has revised its bidder interviews to seek clarifications on proposals from bidders prior to finalizing the RFP scores.	December 2022
Engage the Training Team During Evaluation Training	SDG&E has adopted a Mock abstract or other interactive approaches during the evaluation training process for the RFA phase and an interactive training approach in the RFP stage. These approaches help to engage the evaluation team and provide an opportunity to modify criteria before scoring. *	December 2021
Incorporating a continuous improvement process during the solicitation	Requesting feedback from the evaluation team after each stage of the solicitation will allow the team to identify opportunities for improvement and apply them in future stages and solicitations. SDG&E adopted this approach with the Ag and Industrial solicitations. *	December 2021

**Table E.1: Effective Solicitation Practices**

Effective Practice	IE Analysis	First Reported in Semi-Annual Report
Bidder Debriefs (Provide more detail to bidders so they can improve future submittals)	SDG&E has improved its bidder feedback process by providing more details in written notifications and offering bidders debrief sessions. Reasons may include low evaluation scores, low total resource cost (TRC) scores, challenges with measure mix/budget, and savings. Debrief sessions include an opportunity for bidders also to give feedback to SDG&E.	June 2021
Address IE Recommendations and Effective Practices	SDG&E has initiated a process to address each IE Key Issues and Observations and Effective Practices presented in the Semi-Annual Reports. SDG&E formally communicates its response to each item directly to the PRG and its collective IEs.	June 2021
Moving from MS Excel (Excel) to MSWord (Word) in Solicitation Response Forms	The IEs and the PRG recommend that SDG&E use Word instead of Excel for qualitative responses. SDG&E initially adopted this for the RFA stage and later the RFP stage.	June 2021
Reduce the Number of RFA/RFP Questions	The IEs recommended that SDG&E reduce the number of questions in the RFA and RFP stages to make the process more straightforward for bidders and scorers alike. SDG&E reduced the number and complexity of questions in both the RFA and RFP stages.	June 2021
Real-Time Answers at Bidders' Conference	SDG&E uses Sli.do to conduct their bidders' conferences. SDG&E includes subject matter experts (SMEs) available on another call simultaneously and behind the scenes to field questions and provide answers in real-time for bidders. SDG&E responds to all bidder questions in writing regardless of whether SDG&E answered the question during the conference.	December 2020
Contract Management Office (CMO) Weekly Check-Ins	The SDG&E CMO lead has weekly check-in meetings with scoring teams to answer any questions regarding proposal evaluations. The process allows the CMO to get detailed questions from scorers and provide timely responses. The meetings also reduce the potential for groupthink among scorers before calibration.	December 2020
Multiple Rounds of Questions and Answers (Q&A)	For both the RFA and RFP stages, SDG&E provides more than a single round of Q&A following bidders' conferences, allowing bidders to provide follow-up questions, and affording bidders more opportunities to ask questions.	December 2020

*\*no longer consistently applied across solicitations*



## F. PRG Feedback on Solicitations

SDG&E generally accepted PRG feedback except for those mentioned in table C.2 above and the feedback contained in the individual reports. For a greater discussion of the PRG and IE recommendations, refer to the individual IE solicitation reports presented in Attachment II.

## G. Stakeholder Feedback from CPUC Workshops

### July 2022 Workshop

The CPUC, in Decision 18-01-004, requires that its Energy Division host semi-annual workshops through the end of 2022 to “allow for information discussion and problem-solving among stakeholders about the progress of the third-party solicitations and for consideration of the semi-annual IE reports.”<sup>11</sup> The Energy Division held the last Stakeholder workshop on July 11, 2022 at the SoCalGas Energy Resource Center in Downey, California. This was the first hybrid meeting with in-person facilitation since the pandemic began and the meeting benefitted from that renewed interaction with 77 people attending via Webex and 27 in person.

The session focused on recapping all EE third-party solicitations and IE observations from the last Semi-Annual Reports. The workshop also provided an opportunity for stakeholders to ask questions, provide comments, and receive updates on the solicitations. Participants included PRG members, IEs, CPUC Energy Division staff, IOUs, program implementers, prospective bidders in solicitations, and other stakeholders. The meeting presentations and agenda are available on the California for Energy Efficiency Coordinating Committee’s (CAEECC) website.<sup>12</sup>

The topics presented included the following:

**Workshop Opening Remarks:** Energy Division outlined the workshop purpose and goals and provided an update on the solicitations process. This included a policy overview of relevant CPUC decisions, information about the new EE portfolio segmentation (Resource Acquisition, Market Support, and Equity), and reiterating the importance of innovation.<sup>13</sup> in third-party EE programs.

**IOU Portfolio Updates and Upcoming Solicitations:** Each of the four IOUs provided updates on executed contracts and how they fit into their portfolios; status of contracts meeting the 2022 threshold requirement; progress on EE Business Plan Applications; innovative program strategies; goals and objectives, especially in improving participation from SBE and DBEs; process improvements; future solicitations for 2023.

---

11 Decision 18-01-004, Ordering Paragraph 26

12 <https://www.caeecc.org/cpuc-third-party-public-meetings>

13 Program that demonstrates an ultimate increase in the uptake of cost-effective EE by advancing a technology, marketing strategy, or delivery approach in a manner different from past efforts

**IE Presentation on the Semi-Annual Reports:** The IEs presented observations for each IOU noted from the most recent Semi-Annual Reports (October 1, 2021 through March 31, 2022) on how the IOUs were conducting solicitations. Topics discussed included recent IOU attempts to reduce solicitation timelines and complexity, the role and treatment of contract redlines in RFPs and improvements to bidder feedback processes. Each IOU was given the opportunity to respond to IE observations at the meeting.

**Independent Evaluator Panel:** Energy Division facilitated a panel to garner IE perspectives on the progression of the third-party solicitations and how this should inform emerging and future efforts. Topics discussed by the panel included how to garner robust participation in third party solicitations, fairness in compensation in EE third-party contracts and challenges and opportunities in the newly established market support or equity program segments.

**California Energy Efficiency + Demand Management Council (CEDMC) Member Panel:** The panel of CEDMC members, representing third-party program implementers, raised issues of concern for EE industry stakeholders and focused on the impact of these issues on bidders. Topics raised included long solicitation timeframes, the financial burdens of participating in a solicitation, risk sharing in compensation, unusual and excessive insurance requirements, and how all these challenges compound for small and diverse businesses.

**Open Discussion** yielded questions and recommendations from stakeholders and other attendees. Ideas offered for consideration included:

- Gain greater consistency across IOUs on the contracting process and terms and conditions.
- Reveal scores publicly to enable bidders to gain better insight on how to improve future bids
- Provide more transparency on DBE spend in EE
- Host a bidder community workshop to help bring subcontractors up to speed
- Consider and proactively communicate what is possible regarding data sharing given IOU privacy concerns and evolving state law.

The next Stakeholder meeting is likely to be scheduled in early 2023 following the submittal of this Semi-Annual Report.

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

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

## **Local Residential Single-Family Solicitation**

Reporting Period: April 2022 through September 2022

*Prepared by:*  
Don Arambula Consulting



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

# Local Residential Single-Family

## 1. Solicitation Overview

### 1.1 Overview

#### a. Scope

SDG&E conducted a competitive program solicitation to find and fund a new local residential SF resource acquisition program. This solicitation enables SDG&E to comply with the CPUC requirement to solicit for third-party EE programs proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility Program Administrator.

SDG&E conducted a competitive solicitation seeking an innovative and cost-effective EE resource acquisition program targeting SDG&E's residential SF customers.

#### b. Objectives

In the solicitation, SDG&E asked bidders to propose innovative approaches to support a strategy that would reliably capture cost-effective energy savings (kWh, kW, and/or therm) applicable to SDG&E's residential SF customer dwellings. The residential SF market segment represents customers who own or rent a detached home or a residential building with two to four units.

### 1.2 Timing

#### Residential Single-Family 1.0

The Residential SF 1.0 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 website in December 2018. SDG&E later revised the solicitation schedule with an RFA released in October 2019. Ultimately, SDG&E could not come to terms with the selected bidder and notified the bidder that it was withdrawing from contract negotiations concluding the unsuccessful solicitation.

The IE reported the Residential SF 1.0 solicitation activity in the April 2020 through September 2020 Semi-Annual Report.

#### Residential Single-Family 2.0

As a result of the unsuccessful Residential SF 1.0 solicitation, SDG&E embarked on a new Residential SF 2.0 solicitation. The IOU conducted an aggressive outreach to encourage greater

participation from the bidder community before releasing the Residential SF 2.0 solicitation on March 22, 2021.

During this solicitation, the IOU was receptive to PRG and IE recommendations regarding RFA and RFP structural improvements and other SDG&E program solicitations. For example, SDG&E adopted a user-friendly bidder response format in subsequent solicitations. The IOU also significantly reduced the number of bidder questions posed at the RFA and RFP stages in other solicitations. Such enhancements will likely reduce the time for the bidder to prepare a proposal and the IOU to evaluate a proposal.

SDG&E developed the following solicitation schedule to support the re-release of this solicitation. Unless otherwise indicated, all milestones were on schedule. Table 1.1 below includes key milestones for this program solicitation.

Table 1.1: Key Milestones		
Milestones	Completion Date	Duration
RFA Stage		
1. RFA Released	March 22, 2021	12 weeks
2. Optional Bidder Conference	March 30, 2021	
3. Bidder Questions Due	April 6, 2021	
4. Responses to Bidder Questions Due	April 13, 2021	
5. Bidder Abstract Submission Due	April 20, 2021	
6. Submittal Review Completed	June 14, 2021	
7. Bidders Notified-Advancement to RFP Stage	June 15, 2021	
RFP Stage		
1. RFP Released	August 18, 2021	26 weeks
2. Optional Bidder Conference	September 1, 2021	
3. Bidder Questions Due Round 1	September 3, 2021	
4. Responses to Bidder Questions	September 8, 2021	
5. Bidder Questions Due Round 2	September 13, 2021	
6. Responses to Bidder Questions	September 16, 2021	
7. Bidder's Proposal Due	September 27, 2021	
8. Proposal Review, Bid Clarification Discussions	November 11, 2021	
9. Selected Bidder Interviews	November 22, 2021	
10. Proposal Review Period Ends, Bidders Notified	December 12, 2021	
Selections and Contracting Stage		

Table 1.1: Key Milestones		
Milestones	Completion Date	Duration
1. Notification Selection	December 14, 2021	24 weeks
2. Contract Development and Negotiation	December 2021– May 2022 **	
3. Contract Execution Date	May 31, 2022 **	
Contract Approval and Program Rollout		
1. Company Advice Letter Filing*	June 24, 2022 **	16 weeks
2. CPUC Contract Approval*	August 11, 2022 **	
3. Contract Issued*	August 11, 2022 **	
4. IP Uploaded to California Energy Data and Reporting System (CEDARS)	October 11, 2022 **	
5. Full Program Roll Out*	Q4 2022	
** - Delayed from the original schedule.		

### 1.3 Key Observations

Overall, the solicitation successfully procured an innovative and cost-effective EE resource program targeting SDG&E’s residential SF customers.

SDG&E's conduct and management of the EE program solicitation were fair, equitable, and transparent. As presented in SDG&E's Solicitation Plan, the IOU selected the final proposal after bidder interviews and the final assessment of the bidders' proposals.<sup>14</sup>:

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

During the solicitation, the IE shared all recommendations with the IOU and the PRG. The IOU had an opportunity to review, consider, accept, or reject the IE recommendations. Table 1.2 presents the IE's key recommendations and the IOU's responses during the contracting phase of the solicitation. The IE reported on recommendations on the RFA and RFA phases of the solicitation in prior semi-annual reports.

<sup>14</sup> San Diego Gas & Electric Company’s (U 904-M) Solicitation Proposal Process dated August 4, 2017, Section B, p.13.

**Table 1.2: Key Issues and Observations**

Topics	Key Observations	IE Recommendations	Outcomes
Negotiations and Contracting			
Enhancing Program Delivery and Design	The CPUC allows the IOU and the selected bidder, after program selection, to collaborate on the ultimate program design implemented by the third party. <sup>15</sup> SDG&E did not engage the bidder in improving the proposed program design or delivery.	SDG&E should actively engage the bidder, especially on program delivery, which can lead to the third party implementing a more successful program.	SDG&E prefers to avoid misperceptions that the EE program was not designed, proposed, and delivered by a third party.
Accelerate Contract Negotiations	The bidder had recently concluded contract negotiations with SDG&E on a residential multi-family EE program. This enabled both parties to work through basic contract elements, such as terms and conditions, without much disagreement.  Nevertheless, contract negotiations, including contract execution, spanned over five months.	SDG&E should work with its PRG and collective IEs to accelerate the contract negotiations. These improvements could include weekly contract negotiation meetings, first addressing the most important issues (e.g., compensation), refining the standard contract, and improvements to SDG&E’s internal contract approval process.	New recommendation.
Implementer Bonus	The implementer proposed a bonus mechanism similar to another compensation structure associated with another of its programs.	All future SDG&E contracts should contain a bonus to encourage implementers to excel in program achievements.	New recommendation.
Performance Assurance	Based on SDG&E’s review of the bidder’s financials in previous contract negotiations, SDG&E concluded a performance assurance requirement was not necessary.	All future SDG&E contracts should exclude a performance assurance requirement, especially for contracts primarily based on pay-for-performance or PFD compensation.	SDG&E only applies a performance assurance provision based on the financial review of the bidder. The performance assurance is limited to the amount of the estimated ratepayer costs

<sup>15</sup> In Decision 16-08-019, the CPUC allows the IOU and the selected bidder, after program selection, to collaborate on the ultimate program design implemented by the third-party Conclusion of Law 57.



**Table 1.2: Key Issues and Observations**

Topics	Key Observations	IE Recommendations	Outcomes
	Such performance assurance provisions are likely a financial burden on implementers. The implementer bears nearly all risk with such performance assurance provisions coupled with pay-for-performance or pay-for-deliverables compensation.	Contracts should balance the risk among the implementer and ratepayer.	associated with upfront payments to the implementer and the cost of procuring another program if the implementer fails to perform.
Reporting to the PRG	SDG&E presented the general status of contract negotiations to the PRG at monthly PRG meetings throughout contract negotiations.	The IOU should share more details during the PRG monthly meetings on ongoing contracting issues emerging during negotiations in future solicitations.	New recommendation.
Future Residential Solicitations	CPUC issued new portfolio guidance, allowing program administrators to segment their EE portfolios into three categories. <sup>16</sup> One of those categories, Equity, aims to provide EE to hard-to-reach (HTR) or underserved customers and disadvantaged communities (DACs) in advancing the Commission’s Environmental and Social Justice (ESJ) Action Plan. <sup>17</sup>	In the future, SDG&E should consider serving the residential SF segment through the Equity category. SDG&E can likely achieve greater EE savings levels in this very important segment, as the CPUC does not require the Equity program category to pass the current cost-effectiveness tests. This will likely allow SDG&E to offer additional energy efficiency solutions to equity customers.	SDG&E generally agrees with the recommendation.
Program Financial Commitments	The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period.	SDG&E could amend the Contract to define a financial commitment that can likely help the Implementer manage its annual cost category budgets.	Financial commitments are managed in the Biennial Budget Advice Letter process.

<sup>16</sup> Decision 21-05-031, Ordering Paragraph 2.

<sup>17</sup> Id, pp. 14-15.

**Table 1.2: Key Issues and Observations**

Topics	Key Observations	IE Recommendations	Outcomes
IDSMS Promotion	The RES Program proposes to take the customer on a journey to ZNE, which includes informing customers about other demand-side management offerings	The final IP should detail the Program’s specific tactics to promote IDSMS to the customers.	New recommendation.
HTR/DAC Customer Outreach	The Program will target HTR customers and customers residing in DACs.	The final IP should present more details of how the Program will reach these customer groups and how the program representative will confirm that the customer meets the HTR and/or DAC definition set by the CPUC.	The target supports a greater level of energy savings for these customer groups.
Supporting the CPUC’s Disadvantaged Worker Policy	SDG&E requires the Implementer to report its efforts on an annual basis on how it provided job access and opportunities for disadvantaged workers.	The IOU and Implementer should provide greater detail in the final IP on how the Program will support this CPUC policy.	New recommendation.
Supporting the CPUC’s Workforce Standards	SDG&E requires the Implementer to report on how they will comply with the CPUC’s prescriptive workforce standards and quality installation procedures.	The IOU and Implementer should provide greater detail in the final IP on how the Program will support this CPUC policy.	New recommendation.
Program Innovation	SDG&E’s current contract template does not require an explanation of a program’s innovative features.  Program innovation is a key CPUC policy reason for expanding third-party implementation.	SDG&E should modify its contract template, which requires parties to describe the program’s innovative features. This will hold the Implementer accountable to implementing such features	New recommendation.
Advancing Efficient Solicitations	In this solicitation, SDG&E reduced its RFA and RFP requirements which helped	SDG&E should continue to reduce its solicitation timeline by improving	SDG&E collaborates with its PRG and collective IE pool to

Table 1.2: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
	reduce the solicitation timing.	<p>current processes such as reduced evaluation periods, cumulative scoring, optional bidder interviews, refined contract templates, and elimination of timing gaps between solicitation stages, including contract negotiations.</p> <p>SDG&amp;E should collaborate with its PRG and collective IEs to continue to improve the timing of these solicitations.</p>	enhance future solicitation processes.

During the solicitation, the IE observed emerging effective practices by the IOU that made the process more effective, efficient, and transparent. The IE recommends that the IOU continue these practices, as presented below, and share them with other IOUs for their consideration and potential adoption.

Table 1.3: Effective Practices	
Emerging Effective Practice	IE Analysis
Evaluation Team Check-in Meetings	SDG&E evaluation team met periodically to check the evaluators' progress with their reviews. These check-in meetings encourage evaluators to conduct scoring at a reasonable cadence throughout the review period. These meetings also allowed evaluators to ask clarifying questions on the proper application of scoring criteria as they conducted their evaluations.
Monthly IE Coordination Meetings	The IOU allowed the collective IEs to meet monthly to discuss emerging issues and find a common recommendation to present to the IOU. The collaboration provided the IOU with consistent, well-vetted recommendations associated with the various solicitations.
Reduce RFA/RFP Requirements for Bidders	SDG&E significantly reduced the number of questions a bidder must respond to in the RFA and RFP stages. This reduction in bidder requirements likely helped reduce the burden on the participating bidders.

Table 1.3: Effective Practices	
Emerging Effective Practice	IE Analysis
Address Divergent Scores in Evaluator Calibration Sessions	On a 5-point scale, a 2-point difference among scores indicates a significant divergence among evaluators. SDG&E now automatically applies a 2-point threshold as part of all calibration meetings.
Bidder Interviews	SDG&E has revised its bidder interviews to seek clarifications on proposals from bidders prior to finalizing the RFP scores.

## 2. RFA Solicitation Outreach and Bidder Response

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

## 3. RFP Solicitation Outreach and Bidder Response

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

## 4. Contracting Process

SDG&E held contract negotiations with Synergy as this bidder received the highest score. Synergy’s Residential Energy Solutions (RES) Program is a residential SF resource acquisition program. The Program begins with offering direct install measures to customers and then transitions the customer to a complimentary home energy survey and sales consultation for higher levels of EE and renewable options that can be financed by the customer and installed by Synergy.

The RES Program also presents an opportunity to integrate EE and DR. These opportunities originate from the direct installation of smart thermostats through RES in concert with DR enrollment.

### 4.1 Contract Negotiations

After the initial Contract meeting on January 6, 2022, SDG&E held periodic meetings with Synergy from January 2022 through May 2022 to discuss various topics associated with the Contract, from implementer compensation to program delivery.

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

In Decision 16-08-019, the CPUC allows the IOU and the selected bidder, after program selection, to collaborate on the ultimate program design implemented by the third party.<sup>18</sup>: Collaboration enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offers. Contract negotiations are also the time for the bidder to share greater levels of program details and to address any concerns that the IOU may have regarding the program design and delivery. SDG&E did not engage the bidder in improving the proposed program design or delivery. In future solicitations, the IOU should actively engage the bidder in contract negotiations on possible program improvements, especially in program delivery and support.

The bidder, Synergy, had recently concluded contract negotiations with SDG&E on a residential multi-family EE program. This recent experience enabled both parties to work through basic contract elements, such as terms and conditions, without much disagreement. Nevertheless, contract negotiations, including contract execution, spanned over five months. SDG&E should work with its PRG and collective IEs to accelerate the contract negotiations. These negotiation process improvements could include weekly contract negotiation meetings, first addressing the most important issues (e.g., compensation), refinements to the standard contract, and improvements to SDG&E's internal contract approval process.

SDG&E and Synergy held eight meetings (from January to May 2022). They also had several email exchanges regarding various contract issues, such as CET forecasts, compensation, EE/DR integration, and direct installation costs. As a result of these negotiations, the parties agreed to supplement the program budget with an additional \$1.016 million to fund EE/DR technology integration efforts.

---

<sup>18</sup> Conclusion of Law 57.



**b. Fairness of Negotiations**

Overall, the contract negotiations were fair and transparent. Negotiations resulted in a contract resembling the bidder’s original proposed program design. The following are changes to the budget and key program activities due to the contract negotiations.

---

<sup>19</sup> Decision 16-08-019, p. 75.

Table 4.2: Proposed vs. Final Agreement		
		Contracted
EE Budget		\$4,500,000
EE/DR Budget		\$1,016,400
DR Enrollments, annual		1,694
Energy Savings, kWh, net		2,711,283
Energy Savings, Therms, net		237,519
Demand Reduction, kW, net		2,475
Total System Benefit (TSB)		\$5,528,382
TRC Ratio – Year 1		1.23
TRC Ratio – Year 2		1.23
TRC Ratio – Year 3		1.23

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

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

<sup>20</sup> Decision 18-10-004, Ordering Paragraph 7.

**d. Conformance with CPUC Policies and Objectives**

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

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



**Table 4.3: Contract Alignment with CPUC Policies and Objectives**

PRG Guidance and Other Considerations	IE Response
A reasonable number of KPIs.	Confirmed. Ten KPIs address program performance, compliance, customer satisfaction, and marketing.
KPIs make sense in terms of measuring, scale, and timeframe.	Confirmed. The IE recommends that the HTR/DAC KPI should be a simple customer participation goal rather than an energy savings goal, given the deemed savings associated with the direct installation program offering
The contract includes appropriate performance issue remedies.	Confirmed. The Contract identifies the process to remedy performance issues in Schedule A.
The contract clearly addresses Support Services.	The Contract identifies IOU services (e.g., customer data) it will provide to the Implementers. These services are limited to activities (e.g., review of marketing materials, secondary inspections, etc.) expected in the Program Administrator’s role. The Implementer is not charged a fee for these standard services.
Innovative aspects of the Program are retained.	Confirmed. The final Contract retains the Implementer's EE/DR integration, in-home audits to promote deeper energy savings, and geotagging of treated households to support efficient inspections.
If applicable, IDSMS components are included.	The Implementer will directly install smart thermostats and require the homeowner to enroll in an SDG&E DR program. The Contract directly funds the EE/DR integration offering.
If applicable, program considerations for HTR and DAC are incorporated.	Confirmed. Section 3.2 describes program plans to consider the needs of HTR and DAC customers as part of the Program's technology screening process.
Changes proposed by the IOU and the Implementer were reasonable and fair.	Confirmed.

**e. Uniformity of Contract Changes**

The IOU negotiated only one contract with one bidder in this solicitation.

## 4.2 Final Selection

Consistent with the IOU's approved Solicitation Plan,<sup>21</sup> SDG&E made its final selection based on the outcome of its evaluation and ranking of all the proposals, which included a bidder interview process. SDG&E conducts bidder interviews after the IOU calibrates scores among the individual evaluators. The interviews serve to aid SDG&E in better understanding the bidder's proposals by asking specific questions regarding the bidder's proposals and informing the team's final selection. Evaluators individually score the bidder interviews on a four-point scale. [REDACTED]

[REDACTED] Synergy's proposal ranked the highest of all bids and, as a result, was invited to contract negotiations. The PRG and the IE supported the decision.

For future solicitations, the IOU should reset the sequence of the bidder interviews. [REDACTED]

[REDACTED] Also, the approach clarifies how SDG&E applies the information gathered during bidder interviews in their final selection. The following illustrates how SDG&E can use bidder interviews more effectively.



---

<sup>21</sup> SDG&E Company's Rolling Portfolio Solicitation Proposal, Section V.B, Program Solicitation Timeframe.

### 4.3 Contract Execution

SDG&E and the bidder completed the contract execution on May 31, 2022. Upon CPUC approval of the completed Contract, the Contract will be effective. At that time, the Implementer may begin initial program tasks, including developing the Program's IP, which SDG&E forecasts to complete in Quarter 3 of 2022.

Table 4.4: Executed Contracts		
Bidder	Contract Duration	Program
Synergy	29 months (estimated)	RES

### 4.4 PRG and IE Feedback to Contracting

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

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

Both the PRG and IE provided input to SDG&E on the draft Contract. The following lists the PRG recommendations, key IE recommendations, and SDG&E responses.

Table 4.5.a: PRG Contract Recommendations		
Topic	Comment	IOU Response
<b>DAC and HTR Customers</b>	Concerned that the program metrics on the number of properties treated in DACs or whose customers meet the HTR definition seems extremely low (approximately 10 percent of total projected participants) for the program design and may overlap.	Parties agreed to increase the DAC and HTR goals from 10 to 33 percent of the total program participants. The Contract includes separate DAC and HTR goals to ensure no overlap between the two groups.
<b>Equity Program Classification</b>	Suggest that after SDG&E has more direction from the CPUC on what types of programs are appropriate for the equity segment, it considers whether classifying this program in the equity segment makes more sense and would lead to more projects completed by HTR customers or those located in DACs. Since the program primarily relies on direct installations as the delivery mechanism, classifying this as an equity effort is appropriate.	SDG&E will consider this for future solicitations supporting the SF segment. SDG&E has a proposed SF equity program in their current EE Business Plan application.

Table 4.5.b: IE Contract Recommendations		
Topic	Comment	IOU Response
<b>Target SF Homeowner</b>	The program targets SF homeowners and property managers who have the sole authority over whether the SF property will participate in the program. Given the significant growth in SF rental homes over the past several years, the program should actively screen customer contacts to ensure the program engages with the property owner, not the renter. The segment target description in the Contract and the future Program Policies and Procedures Manual should be adjusted accordingly.	Rental customers can participate with the owner's approval.
<b>Program Offering</b>	The program proposes to provide direct install measures and conducts an in-home survey once completed. Before installation, the Implementer	The approach reduces the number of touchpoints with the customer, saves time and money, and reduces the program's carbon footprint.

Table 4.5.b: IE Contract Recommendations		
Topic	Comment	IOU Response
	should conduct an in-home survey to confirm if the customer needs the EE measures offered.	
<b>2022 Program Goals</b>	Given the expected third-quarter program launch, it is not reasonable for the 2022 energy savings goal to be the same as in other years. Suggest the 2022 goal be adjusted to reflect a shorter 2022 implementation period.	Third-Party Implementer accepted the annual savings goal for all three years.
<b>Promotion of Clean Energy Options</b>	The Contract's marketing plan objectives should include the benefits of clean energy measures (heat pump water heaters, heat pumps) and solar and storage.	During the customer in-home audit, such awareness will take place.
<b>ZNE Program Element</b>	The program states that the "progress to deep retrofits continues as zero net EE technologies are installed." However, the program does not provide any strategies to promote deeper installation and ZNE beyond an in-home audit. This statement should be revised to reflect the program design.	This is a third-party program design that can be addressed during IP development.

Overall, the IE reminded SDG&E that the CPUC does allow collaboration between the bidder and the utility on the final program design.<sup>22</sup> During contract negotiations, SDG&E should actively engage the bidder, especially on program delivery which can eventually lead to the third party implementing a more beneficial and successful program.

## 5. Assessment of Final Contract

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

<sup>22</sup> In Decision 16-08-019, the CPUC allows the IOU and the selected bidder, after program selection, to collaborate on the ultimate program design implemented by the third-party Conclusion of Law 57.

program management and performance elements, including achieving pre-established energy savings and cost-effective targets throughout program implementation.

## 5.1 Bid Selection Respond to Portfolio Needs

SDG&E sought to procure an innovative third-party program that could reliably capture cost-effective energy savings in SDG&E’s residential SF segment. The RES Program, designed by Synergy, fulfills SDG&E’s procurement needs. SDG&E also set forth specific energy savings targets in the RFP, which the new RES Program did not meet. However, the SDG&E forecast was likely too aggressive for this segment as the program had forecasted the highest energy savings of any bid received in the solicitation.

During this competitive solicitation, the CPUC issued new portfolio guidance, allowing program administrators to segment their EE portfolios into three categories.<sup>23</sup> One of those categories, Equity, aims to provide EE to HTR or underserved customers and DACs in advancing the Commission’s Environmental and Social Justice (ESJ) Action Plan.<sup>24</sup> To help serve this purpose, the CPUC has removed the cost-effectiveness threshold requirement for these program types. In the future, SDG&E should consider serving the residential SF segment through the Equity category. SDG&E can likely achieve greater EE savings levels in this very important segment.

Topic	kWh Savings	kW Reductions	Therms Savings
<b>RFP Targets, 3-years</b>	6,300,000	3,246	889,707
<b>Contract Targets, 3-year</b>	2,509,361	2,408	233,114

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

### a. Introduction

The Program received the highest overall score in the competitive solicitation. SDG&E applied the established scoring rubric to select Synergy’s proposal. SDG&E determined that Synergy's proposal provided the best overall value to ratepayers and, most importantly, the best opportunity for success. The IE monitored every aspect of the solicitation, including the IOU's evaluation leading up to SDG&E's final selection. Based on this monitoring, the IE agrees with SDG&E's decision that Synergy’s RES Program provides the best value to the IOUs' ratepayers among the proposals received in this solicitation.

<sup>23</sup> Decision 21-05-031, Ordering Paragraph 2.

<sup>24</sup> Id, pp. 14-15.

## b. Program Description

The RES Program is a residential SF resource acquisition program. The Program begins with installing EE direct install measures and then transitions the customer to a complimentary home energy survey and sales consultation for higher levels of EE and renewable options that can be financed by the customer and installed by the Implementer.

The RES Program also presents an opportunity to integrate EE and DR. These opportunities originate from the direct installation of smart thermostats through RES in concert with DR enrollment.

## c. Budget and Cost-Efficiency

The RES Program budget of \$5,516,400 is consistent with the solicitation target budget, including EE/DR technology integration funding. The Implementer's administration and marketing budgets are within the cost category targets established by SDG&E for its EE solicitations. The RES Program offers customers no-cost direct installation (DI) of EE measures and a free in-home audit and consultation. The program does not offer rebates to customers. As a result, the DI and audit services costs are shown as DI rather than customer incentives rebates in the table below.

Table 5.2: Program Budget					
Cost Category	2022	2023	2024	Total	% of Total Budget
EE Budget					
Administration	\$75,000	\$75,000	\$75,000	\$225,000	5%
Marketing	\$75,000	\$75,000	\$75,000	\$225,000	5%
DI	\$1,350,000	\$1,350,000	\$1,350,000	\$4,050,000	90%
Customer Incentives	\$0	\$0	\$0	\$0	0%
Total EE Budget	\$1,500,000	\$1,500,000	\$1,500,000	\$4,500,000	100%
EE/DR Integration Budget					
EE/DR Integration	\$338,800	\$338,800	\$338,800	\$1,016,400	100%
Total Contract Budget					
Total Budget	\$1,838,800	\$1,838,800	\$1,838,800	\$5,516,400	100%

SDG&E limits the Implementer's budgets to the annual cost categories presented in the Contract. For example, suppose there is a remaining unspent and uncommitted balance in a cost category at

the end of a program year. The Implementer cannot carry this remaining budget to the next program year without SDG&E's approval. The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period. Given the short-term financial commitments with this DI program, the Program's expected financial commitments will likely be limited to year-end accruals to account for the prior month's expenditures. In the future, SDG&E could amend the Contract to define a financial commitment that may likely help the Implementer manage its budgets.

**d. Expected Program Performance**

The RES Program forecasts to achieve more than 2.5 net million kWh and 233,104 net therms of annualized energy savings and over 2.4 MW in net demand reduction over the Contract term. The Implementer expects the Program's forecast to remain flat throughout the implementation period, as shown below.

Table 5.3: Program Energy Savings Goals				
	2022	2023	2024	Total
Energy Savings (annualized, net kWh)	864,445	864,445	780,471	2,509,361
Energy Savings (annualized, net Therm)	75,873	75,873	81,368	233,114
Demand Reduction (net kW)	793	793	822	2,408

**e. Cost-Effectiveness**

The Local RES Program is cost-effective, with a forecasted TRC ratio of 1.18. The Program's cost-effectiveness showing, by year is shown below:

Table 5.4: Program Cost-Effectiveness Targets				
	2022	2023	2024	Total
TRC Test Ratio	1.23	1.23	1.07	1.18

**f. IDSM**

The RES Program proposes taking the customer on a journey to ZNE, including informing customers about other demand-side management offerings. During negotiations, parties agreed that the program would install a no-cost smart thermostat for the customer who agrees to participate in an SDG&E DR program. This EE/DR technology integration offering is in addition to the IDSM promotions. The final IP should detail the Program's specific tactics to promote IDSM to the customers.



**g. DACs and HTR Customers**

The Program will target HTR customers and customers residing in DACs. The Contract assigns a specific HTR and DAC KPI that encourages the Implementer to achieve energy savings in HTR and/or DAC segments. The final IP should present more details of how the Program will reach these customer groups and how the program representative will confirm the customer meets the HTR and/or DAC definition set by the CPUC.

**h. Disadvantaged Worker Policy**

The Implementer will report on how they provide job access for disadvantaged workers and opportunities for this community. SDG&E encourages the Implementer to partner with training and apprentice programs such as community colleges and set goals for employment or partnerships with disadvantaged workers. SDG&E requires the Implementer to report its efforts on an annual basis. The IE encourages the IOU and Implementer to provide greater detail on how the Program will support this CPUC policy in the final IP.

**i. Workforce Standards Policy**

The Contract requires the Implementer to report on how they will comply with the CPUC’s prescriptive workforce standards and quality installation procedures. The IE encourages the IOU and Implementer to provide greater detail on how the Program will support this CPUC policy in the final IP.

**j. Measurement and Verification Plan**

The Contract includes an M&V Plan that describes how the Program will perform data collection, savings estimations, verification, and reporting. The M&V Plan also addresses custom or normalized metered energy consumption (NMEC) applications, although the current program design does not support such offerings. The final detailed M&V Plan should remove reference to custom and NMEC as part of the final IP.<sup>25</sup> The Contract requires the Implementer to provide an IP within 60 days of CPUC contract approval.

**k. Implementer Compensation**



---

<sup>25</sup> Implementation Plan Template, Version 2, p. 9, dated January 2020.



### **Performance Assurance**

Based on SDG&E’s review of the bidder’s financials in recently negotiated contracts, SDG&E concluded that a performance assurance requirement was not necessary. Note that Synergy currently delivers the SDG&E Residential Multifamily EE program and is an ESA (i.e., low-income EE) provider.

### **EE/DR Integration**

The RES Program offers the installation of a smart thermostat that will support DR events. The Implementer will be compensated \$200 for each customer enrolled in a SDG&E DR program that utilizes the smart thermostat technology.

## I. Innovation

The RES Program offers in-home audits, consultation, and direct installation of EE measures. The Implementer has enhanced this traditional offering by focusing the customer on a path to ZNE for the home. The following are the innovative features of this new program:

EE/DR Integration	The bidder has trained, and certified HVAC technicians who seamlessly install smart thermostats and enroll customers in the SDG&E AC Saver DR program. This approach, with the smart thermostat technology, integrates EE and DR coherently and efficiently.
Promoting Deeper EE and Clean Renewables	The Program transitions from direct install EE installations to a no-pressure complimentary whole-home energy assessment/sales consultation. This strategy advances the installation of more comprehensive EE and solar technologies that can be financed (tankless water heaters, whole house fans, HVAC equipment, solar PV, storage, and EV charging stations).
Geotagging	The Program implements geotagging with photos of installed measures for cost-efficient virtual inspections.

## m. Key Performance Indicators

The Program has ten KPIs tied to the Implementer's financial compensation. The KPIs address program performance, customer data collection, customer and retailer/distributor satisfaction, DAC outreach, and DBE spending. The IE recommended that SDG&E simplify the HTR/DAC KPI by resetting the target to a specific number of HTR/DAC participants, given the direct install program type. Also, the IE recommended only one customer satisfaction KPI because, as presented, there appears to be a potential overlap between the two customer satisfaction metrics. SDG&E considered but ultimately chose to retain the KPIs as they are consistent with other SDG&E EE contracts.

## 6. Overall Assessment of Solicitation

SDG&E's conduct during the Residential Single-Family 2.0 solicitation was fair, equitable, and transparent.

This solicitation was SDG&E's second attempt at procuring a cost-effective residential SF program. SDG&E canceled the previous solicitation due to unsuccessful contract negotiations. In both solicitations, bidders had difficulty designing a program that could achieve SDG&E's cost-effective program requirement (TRC ratio of 1.25 or higher). This solicitation requirement likely deterred potential bidders from both solicitations. The new RES Program is cost-effective but is limited in its offering because of SDG&E's requirement to have a cost-effective program. During the second

solicitation, the CPUC approved a new Equity funding category.<sup>26</sup> These Equity programs do not have a cost-effectiveness requirement. Their primary purpose is to provide EE to HTR or underserved customers and DACs in advancing the Commission’s Environmental and Social Justice Action Plan.<sup>27</sup> Due to the limited cost-effective EE opportunities in the residential SF segment and the new opportunities to address customer equity provided by the CPUC, SDG&E should conduct future residential solicitations under the Equity category.

The bidder proposed a bonus of up to 10 percent tied to higher TRC ratios and KPI achievements. SDG&E agreed. SDG&E should incorporate a bonus element to its proposed implementer compensation in all future contract negotiations. A bonus provides an extra incentive to the Implementer to exceed program performance. Such bonus incentives have been provided by the CPUC to the IOUs in past EE programs to encourage the IOUs to exceed portfolio EE targets. As third parties assume the implementation role, SDG&E should offer implementers a bonus incentive option to exceed expected performance targets.

This residential solicitation began in March 2021 and concluded in May 2022. During this period, SDG&E reduced its RFA and RFP requirements which helped reduce the solicitation timing. SDG&E should continue to reduce its solicitation timeline by improving current processes such as reduced evaluation periods, cumulative scoring, optional bidder interviews, refined contract templates, and elimination of timing gaps between solicitation stages, including contract negotiations. SDG&E should collaborate with its PRG and collective IEs to continue to improve the timing of these solicitations.

## **7. Implementation Plan Assessment**

The Local Residential Single-Family solicitation concluded with the CPUC’s approval of the executed Contract on May 31, 2022. The IE reported on the solicitation process from RFA development through Contract execution in the IE Final Solicitation Report filed as part of SDG&E’s advice letter filing seeking Contract approval. As requested by the PRG, this IE Semi-Annual Report only addresses the IE’s review of the IP for alignment with the CPUC-approved Contract. The IE review did not address whether the draft IP complied with the CPUC’s IP requirements.

In the future, the IOU should coordinate with the CPUC’s Energy Division to confirm adherence to the Energy Division’s Implementation Plan Template and other relevant CPUC requirements during the development of the IP or after the IOU has uploaded IP to Cedars.

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

---

<sup>26</sup> Decision 21-05-031, Ordering Paragraph 2.

<sup>27</sup> Id, pp.14-15.

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

Table 7.1: Draft IP Comparison with Executed Contract		
Topic	Consistent	IE Notes
Program Overview	Yes	The cover page should include the Implementer’s company logo and list SDG&E as the Program Administrator.
Program Summary (incl. budget, impacts, cost-effectiveness, sector, etc.)	Yes	
Program Delivery (incl. program offerings, target market)	Yes	
Program Design (incl. strategies, tools, methods, innovation, IDSM, PLM, etc.)	Yes	Should reference any statewide or local program that the offering will intersect.
Compliance (Workforce standards, disadvantaged workers, etc.)	Yes	
Metrics	Yes	
Program Rules (incl. customer eligibility, contractor eligibility, eligible measures, QA/QC Plan, etc.)	Yes	
PLM	Yes	
Incentive Levels & Workpapers	Yes	The measure table should identify deemed, custom and direct install measure types.
Workshop held on September 27, 2022	Yes	

## 7.2 Public Workshop Overview Summary

SDG&E held a public workshop on the draft IP on September 27, 2022. The webinar was well attended, with over 30 attendees. The Implementer made a detailed presentation of their respective program, which included an overview of the program design and delivery. The attendees asked only one question pertaining to the Energy Division’s proposal to ban ratepayer incentives for gas

appliances on the program. Per the contract, SDG&E and the Implementer are required to adjust the program offering to conform to new CPUC policies and requirements

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

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

Reporting Period: April 2022 through September 2022

*Prepared by:*  
Don Arambula Consulting



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

# Statewide Plug Load and Appliance

## 1. Solicitation Overview

The Statewide Plug Load and Appliance solicitation concluded with the CPUC's approval of the executed Contract on May 23, 2022. The IE reported on the solicitation process from RFA development through Contract execution in previous semi-annual reports and the IE Final Solicitation Report, which SDG&E filed as part of its advice letter seeking Contract approval.

This semi-annual report summarizes the draft Implementation Plan's adherence to the executed contract between the IOU and the Implementer. For convenience, this report also summarizes previous IE recommendations presented in the previously filed Final IE Report. Other sections in the semi-annual report are included in previously filed semi-annual reports.

### 1.1 Overview

#### a. Scope

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

#### b. Objectives

Cost-effectiveness is a critical element in the California IOUs' EE program portfolios. SDG&E expects the proposed program to 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 all program years of implementation.

Bidders were allowed to submit multiple bids to this solicitation; however, each proposal had to be unique. The targeted annual budget was up to \$30 million, which may be divided among multiple winning implementers. However, the solicitation would not award overlapping program designs delivered in the same geographical area.

### 1.2 Timing

The Statewide PLA program solicitation was initially scheduled for release in Quarter 1 of 2019, as shown in SDG&E Joint Solicitation Schedule presented to the bidder community on the CAEECC website in December 2018. SDG&E later revised the solicitation schedule in 2019 and released the RFA on May 10, 2019. Due to significant changes by the CPUC to the avoided costs and deemed measure assumptions for future years, SDG&E extended the review, selection, and contracting



phases to allow bidders time to incorporate these changes into their cost-effectiveness showings. The solicitation concluded with an executed contract on January 19, 2022.

### 1.3 Key Observations

Table 1.1 lists the key observations made by the IE in the Final IE Report appended to the IOU’s advice letter seeking CPUC contract approval. The IE shared these key recommendations and others with the IOU and the PRG throughout the reporting period. The IOU had an opportunity to review, consider, and accept the recommendations. The IOU did not always accept the IE recommendations. In some cases, the IOU may not have finalized its response to the recommendation. In those instances, the IOU provided its rationale for not accepting.

Table 1.1: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
RFA			
Innovation			
IDSMS	The RFA scorecard did not include a consideration of IDSMS as part of the Innovation criteria. IDSMS solutions, especially directed at demand response, should consider solicitation.	The Innovation criteria should include an evaluation of the abstract's proposed approaches to supporting integrated demand-side management.	The IOU did not accept the recommendation. SDG&E believed the bidder, throughout the abstract, could address innovation, including IDSMS. Various evaluation criteria (e.g., Program Design, Program Overview) would consider innovation, including IDSMS.

<sup>28</sup> Decision 16-08-019, p. 70.

Table 1.1: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
Reduce Solicitation Timelines	The IOU should revisit its solicitation schedule and reduce the timelines associated with various schedule milestones. For example, the IOU estimated a program launch date in the second quarter of 2021. Now, the Program expects to launch in the first quarter of 2022. An extended evaluation period, preparing RFP/Contract materials, and contract negotiations have contributed to the delays.	<p>For future solicitations IOU should adhere to the ED's guidance by:</p> <ul style="list-style-type: none"> <li>• Adopting the PRG and IE's various recommendations regarding timing,</li> <li>• Reducing the time allocated for abstract and proposal evaluations,</li> <li>• Developing the RFP materials before the conclusion of the RFA evaluation period,</li> <li>• Considering the timing of potential updates to the CET, avoided costs, and/or measure assumptions and energy savings methodologies in the development of the solicitation schedule,</li> <li>• Creating the draft Contract template during RFP evaluations,</li> <li>• Reducing the Contract negotiation period, and</li> <li>• Opting for off-cycle PRG meetings, as necessary, to maintain a reasonable solicitation schedule.</li> </ul>	The IOU continues to review its solicitation schedules in an attempt to identify improvements to future solicitations' overall timing and completion.
Improved Communication of IOU Solicitation Schedule	The existing joint IOU consolidated solicitation timeline lacks enough detail to adequately communicate the status of current and upcoming solicitations to the Bidder community, IOUs,	<p>For greater clarity, the IOUs should update the current joint solicitation schedule to include:</p> <ul style="list-style-type: none"> <li>• Greater detail on major solicitation events by month for each solicitation.</li> </ul>	The collective IOUs have refined the format of the Solicitation Schedule, which the IOUs post on the CAEECC website.

Table 1.1: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
	PRGs, CPUC, and all Program Administrators.	<ul style="list-style-type: none"> <li>• Continuous updates to the Joint Schedule to communicate any schedule changes to all stakeholders.</li> <li>• Coordinated schedule with the CPUC's Energy Division to promote an orderly review of upcoming advice letters and avoid unnecessary delays.</li> </ul>	
RFA Requirements	The RFA required additional information, such as a bidder's proposed Program Logic Model (PLMs) diagram, proposed program ramp-up activities, and KPIs that were redundant to other information provided or were weak indicators of likely program success.	SDG&E should not require the bidder to provide a proposed PLM diagram, KPIs, or program ramp-up activities until the RFP stage or after the Implementer is under contract. In the future, the IOU should reduce the RFA requirements and timing and use Stage 1 of the solicitation as a filter to remove lower-scoring abstracts with little to no chance of success in the final selection.	<p>The IOU did not accept the recommendation during the solicitation and required bidders to provide a PLM in the RFA stage. SDG&amp;E believes such information helps inform the evaluation team during the review of the abstracts.</p> <p>In later solicitations, the IOU has significantly reduced the RFA requirements.</p>
Ineligible Bids	The RFA provides a list of eligible and ineligible program types. Before the evaluation phase, there was no check whether the proposed abstract complied with the list.	The IOU should incorporate an additional screen to identify ineligible programs. SDG&E should add a second filter to its initial screening process to identify ineligible program designs.	The IOU accepted this recommendation.

Table 1.1: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
All-IE Input on Foundational Documents	IE comments were not accepted because the IOU stated other prior RFAs did not receive the same comment from other IEs, and other solicitations are working well without the recommended changes (e.g., number of scoring elements and RFA requirements).	The IOU should work with all IEs on foundational issues such as contract templates, scorecards, and RFA/RFP requirements. Coordination among IOU and the IE pool can improve the solicitation process.	SDG&E has not adopted this recommendation; however, the IOU regularly meets with its collective IE pool to discuss common issues regarding the solicitation process.

Table 1.1: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
<p>Cost-Effectiveness Target</p>	<p>In the RFA/RFP, the IOU asked bidders to present program cost-effectiveness targets that met or exceeded a TRC ratio of 1.25 or greater.</p> <p>The IOU's current program offering performed well below this stated target.</p>	<p>Setting difficult goals may encourage overly optimistic forecasts. The IOU should avoid this practice. Instead, the IOU should set a more reasonable expectation for the targeted solicitation or, preferably, not set such prescriptive targets.</p>	<p>The IOU maintained the TRC ratio target of 1.25.</p>

Table 1.1: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
<p>Increase DBE and SBE Participation in Future Solicitations</p>	<p>The solicitation did not attract DBE-qualified bidders. Bidder proposals had minimal levels of DBE subcontractors in this solicitation.</p>	<p>In future solicitations, the IOU should proactively outreach to the bidder community through its Company's Diversified Business Enterprises (DBE) outreach efforts to increase the participation of DBE-qualified bidders either as a bidder or subcontractor.</p> <p>The IOU should also expand outreach to encourage Small Business Enterprises (SBEs), which include local businesses, as defined by the CPUC for these solicitations.</p>	<p>SDG&amp;E has expanded its outreach efforts to the bidder community, increasing DBE participation in the IOU's solicitations.</p>
RFP			
<p>Bidder's Narrative Response Form</p>	<p>RFP requires bidders to place their narrative responses in a standardized Excel workbook. The Excel format is impracticable for the evaluation team and likely for the bidder.</p>	<p>The RFP should not use an Excel workbook to capture a bidder's narrative response.</p> <p>The IOU should use a Word-based format for the</p>	<p>The IOU prefers to utilize a standardized Excel workbook format to capture all responses.</p>

Table 1.1: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
	Although the RFP does not allow bidders to change the workbook's format, it does not have a word/page limit.	Bidder's Narrative Response Form.	In future solicitations, the IOU adopted this recommendation.
Energy Savings from Water Efficiency Solutions	The CPUC allows the IOU to report water efficiency-related energy savings to achieve 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.

<sup>29</sup> Ordering Paragraph 7, pp. 78-79.

Table 1.1: Key Issues and Observations

Table 1.1: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
EE Cost-Effectiveness Tool	Of particular 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 online system with extensive and awkward input and output forms.	The CPUC should improve the current CET with a user-friendly interface to reduce bidder confusion, simplify data entry, encourage scenario planning, and enhance the timely review of CET showings.	Not applicable to IOU.
Negotiations and Contracting			
Bidder Interviews	Bidder interviews seek additional information regarding specific aspects of the bidder's proposal and inform the evaluation team's final proposal selection. The bidder interview assessments are discussed in the final selection meetings to help inform final selection by the team.	For future solicitations, the IOU should reset the sequence of the bidder interviews. Specifically, the IOU should conduct bidder interviews before the individual evaluator completes their assessments and calibrates scores with other evaluators.  The information gained through these interviews allows evaluators to individually apply their interview assessments into their overall proposal scores without the potential influence from other evaluators. Also, the approach provides greater	SDG&E is considering this approach.



Table 1.1: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
		clarity on how SDG&E applies the information gathered during interviews to the final selection.	

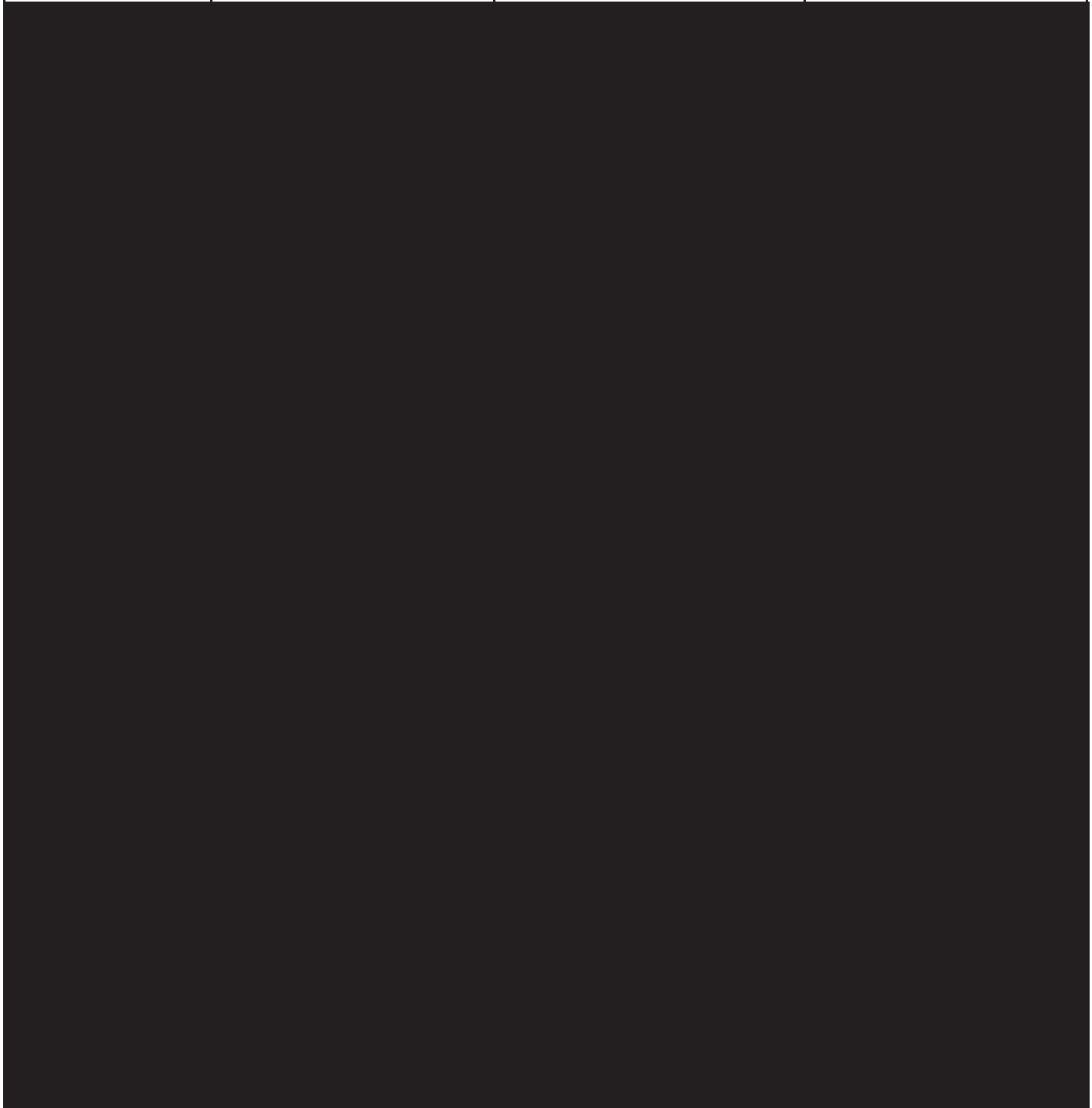


Table 1.1: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes

## 7. Implementation Plan Assessment

The IE’s assessment of the Program’s draft Implementation Plan was limited to confirming alignment with the CPUC-approved Contract. The IE review did not address whether the draft IP complied with the CPUC’s IP requirements. The IOU should confirm with the CPUC whether the final IP conforms with the Energy Division’s Implementation Plan Template requirements once the IOU uploads the IP to the CPUC’s Cedar’s online system.

In the future, the IOU should coordinate with the CPUC’s Energy Division to confirm adherence to the Energy Division’s Implementation Plan Template and other relevant CPUC requirements during the development of the IP or after the IOU has uploaded IP to Cedars.

### 7.1 Results of the Draft IP Review

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

Table 7.1: Draft IP Comparison with Executed Contract		
Topic	Consistent	IE Notes
Program Overview	Yes	
Program Summary (incl. budget, impacts, cost-effectiveness, sector, etc.)	Yes	

Table 7.1: Draft IP Comparison with Executed Contract		
Topic	Consistent	IE Notes
Program Delivery (incl. program offerings, target market)	Yes	
Program Design (incl. strategies, tools, methods, innovation, integrated demand side management [IDS], Program Theory Logic Model [PTLM], etc.)	Yes	
Compliance (workforce standards, disadvantaged workers, etc.)	Yes	
Metrics	Yes	
Program Rules (incl. customer eligibility, contractor eligibility, eligible measures, QA/QC Plan, etc.)	Yes	
PLM	Yes	
Incentive Levels & Workpapers	Yes	
Workshop held on July 14, 2022	Yes	

**7.2 Public Workshop Overview Summary**

SDG&E held a public workshop on the draft IP on July 14, 2022. The webinar was well attended, with over 20 attendees, including one unsuccessful bidder. The Implementer made a detailed presentation of their respective program, which included an overview of the program design and delivery. The attendees asked several questions pertaining to the program’s measure offerings, coupon site, and integration of DR with the program

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

## Local Government Solicitation

Reporting Period: April 2022 through September 2022

*Prepared by:*  
Don Arambula Consulting



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

# Local Government

## 1. Solicitation Overview

The Local Government solicitation concluded with the CPUC's approval of the executed Contract on June 3, 2022. The IE reported on the solicitation process from RFA development through Contract execution in previous semi-annual reports and the IE Final Solicitation Report, which SDG&E filed as part of its advice letter seeking Contract approval.

This semi-annual report summarizes the draft Implementation Plan's adherence to the executed contract between the IOU and the Implementer. For convenience, this report also summarizes previous IE recommendations presented in the previously filed Final IE Report. Other sections in the semi-annual report are included in previously filed semi-annual reports

### 1.1 Overview

The solicitation sought program proposals that could provide electric and/or natural gas energy savings for SDG&E's local government customers during program years 2022 through 2024. The overall proposed budget was \$6.9 million for the three-year program implementation period. The solicitation may result in multiple awards.

#### a. Scope

The Local Government program solicitation is seeking comprehensive and innovative EE resource program(s) that address SDG&E's Local Government customers, which include the following:

- 25 cities<sup>30</sup>
- County of San Diego (including county hospitals and correctional facilities)
- South Orange County (portions of the county which include 21 zip codes, electric-only)
- Specialty Districts (e.g., cemeteries, fire, health, community services, parks & recreation, and conservation)
- Solid Waste Facilities
- Water/Wastewater Treatment Facilities<sup>31</sup>

The solicitation target market is focused solely on the Local Government segment facilities. It does not include other Public Sector segments (i.e., public school districts, Federal, state) or other

---

<sup>30</sup> See Appendix B for a listing of cities.

<sup>31</sup> In the future, such facilities may fall under the scope of the upcoming Statewide Water/Wastewater Program solicitation led by Southern California Edison.

customer sectors (e.g., residential, commercial, etc.). The solicitation also excludes related statewide programs such as Statewide Higher Education and Statewide California Partnership.

## b. Objectives

The objective of the solicitation was to select an innovative program(s) that reliably captures cost-effective energy savings applicable to SDG&E’s Local Government customer facilities. There is a need for innovative solutions that also deliver cost-effective energy savings. Cost-effectiveness is a critical element of all resource programs in the California IOU portfolios.

### 1.2 Timing

SDG&E delayed the Local Government program solicitation to refine the RFA requirements per the revised EE PRG Guidelines. Still, the RFA release was consistent with the projected release timeframe (first quarter of 2021), as shown in SDG&E’s solicitation schedule presented to the bidder community through the CAEECC site. Unless otherwise indicated, all milestones were met or on schedule. Table 1.1 below includes key milestones for this program solicitation.

Table 1.1: Key Milestones		
Milestones	Completion Date	Duration
<b>RFA Stage</b>		
1. RFA Released	January 27, 2021	12 weeks
2. Optional Bidder Conference	February 2, 2021	
3. Bidder Questions Due	February 9, 2021	
4. Responses to Bidder Questions Due	February 16, 2021	
5. Bidder Abstract Submission Due	February 23, 2021	
6. Submittal Review Completed	April 20, 2021	
7. Bidders Notified-Advancement to RFP Stage	April 21, 2021	
<b>RFP Stage</b>		
1. RFP Released	June 15, 2021	19 weeks
2. Optional Bidder Conference	June 22, 2021	
3. Bidder Questions Due Round 1	June 25, 2021	
4. Responses to Bidder Questions	June 30, 2021	
5. Bidder Questions Due Round 2	July 7, 2021	
6. Responses to Bidder Questions	July 12, 2021	
7. Bidder's Proposal Due	July 21, 2021	
8. Proposal Review, Bid Clarification Discussions	August 22, 2021	

Table 1.1: Key Milestones		
Milestones	Completion Date	Duration
9. Selected Bidder Interviews	September 24-30, 2021 *	
10. Proposal Review Period Ends, Bidders Notified	September 1, 2021	
11. Notification Selection	October 25, 2021	
<b>Selections &amp; Contracting Stage</b>		
1. Notification Selection	October 25, 2021 *	32 weeks
2. Contract Development and Negotiation	November 5, 2021- May 2022 *	
3. Contract Execution Date	June 3, 2022 **	
<b>Contract Approval and Program Rollout</b>		
1. Company Advice Letter Filing*	June 16, 2022 **	15 weeks*
2. CPUC Contract Approval*	Q3 2022 **	
3. Contract Issued*	Q3 2022 **	
4. Implementation Plan Uploaded to CEDARS*	Q3 2022 **	
5. Full Program Roll Out*	Q3 2022	
* - Estimated. ** - Delayed from the original schedule.		

\* Revised date.

### 1.3 Key Observations

Overall, the solicitation successfully procured an innovative and cost-effective energy efficiency resource program targeting SDG&E’s local government segment.

SDG&E's conduct and management of the energy efficiency program solicitation were fair, equitable, and transparent. As presented in SDG&E's Solicitation Plan, the IOU selected the best proposal after bidder interviews and the final assessment of the bidders' proposals.<sup>32</sup>

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

During the solicitation, the IE shared all recommendations with the IOU and the PRG. The IOU had an opportunity to review, consider, accept, or reject the IE recommendations. Table 1.2 presents the IE's key recommendations and the IOU's responses during the contracting phase of the

<sup>32</sup> San Diego Gas & Electric Company’s (U 904-M) Solicitation Proposal Process dated August 4, 2017, Section B, p.13.

solicitation. The IE reported recommendations on the RFA and RFA phases of the solicitation in prior semi-annual reports.

Table 1.2: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
Negotiations and Contracting			
Enhancing Program Delivery and Design	The CPUC allows the IOU and the selected Bidder, after program selection, to collaborate on the ultimate program design implemented by the third party. <sup>33</sup> SDG&E did not engage the bidder in improving the proposed program design or delivery.	SDG&E should actively engage the bidder, especially on program delivery, which can lead to the third party implementing a more successful program.	SDG&E prefers to avoid any misperceptions that the EE program was not designed, proposed, and delivered by a third party.
Implementer Bonus		All future SDG&E contracts should contain a bonus to encourage implementers to excel in program achievements.	
Performance Assurance	SDG&E's requirement for a financial performance assurance, either a letter of credit from a financial institution or a cash deposit, appeared to frustrate the bidder.	Future SDG&E contracts should exclude a performance assurance requirement, especially for contracts primarily based on P4P or PFD compensation.	

<sup>33</sup> In Decision 16-08-019, the CPUC allows the IOU and the selected Bidder, after program selection, to collaborate on the ultimate program design implemented by the third-party Conclusion of Law 57.



**Table 1.2: Key Issues and Observations**

Topics	Key Observations	IE Recommendations	Outcomes
		Contracts should balance the risk among the implementer and ratepayer.	
Coordination with Statewide Water and Wastewater Program	The population of water and wastewater treatment facilities and, in turn, the EE potential is likely greater than the upcoming statewide program can reach.	Local programs, such as CAP4ZNE, can help address these EE opportunities especially given California's ongoing drought.	New recommendation.
Monitoring Program	The PRG and IE have concerns regarding the viability of such a cost-	SDG&E should closely monitor program performance	SDG&E will monitor the program's progress during the

**Table 1.2: Key Issues and Observations**

Topics	Key Observations	IE Recommendations	Outcomes
Activities and Achievements	effective program in the local government segment, given the public sector's lower cost-effectiveness over the past several years.	to confirm the forecast is reasonable.  SDG&E should closely monitor Okapi's customer project pipeline.	implementation period.
Program Financial Commitments	The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period.	SDG&E could amend the Contract to define a financial commitment that can likely help the Implementer manage its annual cost category budgets.	SDG&E manages financial commitments in the Biennial Budget Advice Letter process.
IDSMS Promotion	The Program proposes to take inventory of the customer's buildings and facilities, energy use, benchmarking, and past EE projects to determine a priority EE project list for the Partner Action Plan.	The final Implementation Plan should detail what IDSMS recommendations (e.g., solar, clean energy storage, etc.) could be promoted to the customers.	New recommendation.
DAC Facilities Outreach	The Program will target facilities located in disadvantaged communities (DACs)	The final Implementation Plan should present more details of how the Program will reach out to these LG customers with DAC facilities and how the program will confirm that the facility meets the DAC definition set by the CPUC.	New recommendation.
Supporting the CPUC's Disadvantaged Worker Policy	SDG&E requires the Implementer to report its efforts on an annual basis on how it provided job access and opportunities for disadvantaged workers.	The IOU and Implementer should provide greater detail on how the Program will support this CPUC policy in the final Implementation Plan.	New recommendation.
Supporting the CPUC's Workforce Standards	SDG&E requires the Implementer to report on how they will comply with the CPUC's prescriptive	The IOU and Implementer should provide greater detail on how the Program will support	New recommendation.

Table 1.2: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
	workforce standards and quality installation procedures.	this CPUC policy in the final Implementation Plan.	
Advancing Efficient Contract Negotiations	In this solicitation, SDG&E reduced its RFA and RFP requirements which helped reduce the solicitation timing.	SDG&E should continue to reduce its solicitation timeline by improving current processes such as [REDACTED], and elimination of timing gaps between solicitation stages, including contract negotiations.  SDG&E should collaborate with its PRG and collective IEs to continue to improve the timing of these solicitations.	SDG&E collaborates with its PRG and collective IE pool to enhance future solicitation processes.

During the solicitation, the IE observed emerging effective practices by the IOU that made the process more effective, efficient, and transparent. The IE recommends that the IOU continue these practices, as presented below, and share them with other IOUs for their consideration and potential adoption.

Table 1.3: Effective Practices	
Emerging Effective Practice	IE Analysis
Evaluation Team Check-in Meetings	SDG&E evaluation team met periodically to check the evaluators' progress with their reviews. These check-in meetings encourage evaluators to conduct scoring at a reasonable cadence throughout the review period. These meetings also allowed evaluators to ask clarifying questions on the proper application of scoring criteria as they conducted their evaluations.
Monthly IE Coordination Meetings	The IOU allowed the collective IEs to meet monthly to discuss emerging issues and find a common recommendation to present to the IOU. The collaboration provided the IOU with consistent, well-vetted recommendations associated with the various solicitations.
Reduce RFA/RFP Requirements for Bidders	SDG&E significantly reduced [REDACTED] a bidder must respond to in the RFA and RFP stages. This reduction in bidder requirements likely helped reduce the burden on the participating bidders.

Table 1.3: Effective Practices	
Emerging Effective Practice	IE Analysis
Bidder Interviews	SDG&E has revised its bidder interviews to seek clarifications on proposals from bidders prior to finalizing the RFP scores.
Targeted Outreach to Promote Solicitation	SDG&E included targeted outreach to local governments, supporting vendors, and DBE-qualified firms to create greater awareness of the solicitation among the bidder community. The IE considers the additional outreach activities, including greater awareness among the DBE, as an effective practice that SDG&E should tailor for future solicitations to increase bidder interest, especially among DBEs.

## 4. Contracting Process

Okapi’s CAP4ZNE Program offers customer incentives (deemed, custom, NMEC) in conjunction with a tailored Partner Action Plan which identifies the EE and IDSM potential opportunities in participating facilities. The Program assists the customer in deploying their Action Plan through customer incentives, technical assistance, and ongoing energy monitoring through a web-based Dashboard.

SDG&E held contract negotiations with Okapi as this bidder received the highest score and met the solicitation objectives for a cost-effective, innovative program that addressed SDG&E’s entire local government segment.:

### 4.1 Contract Negotiations

On November 5, 2021, SDG&E held 18 meetings with Okapi through April 2022 to discuss various topics associated with the Contract, from program delivery to implementer compensation, including performance assurance requirements.

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

In Decision 16-08-019, the CPUC allows the IOU and the selected Bidder, after program selection, to collaborate on the ultimate program design implemented by the third party.<sup>34</sup>: Collaboration enables the IOU to share its understanding of its customers and prior program implementation experience with the selected bidder to optimize the program offers. Contract negotiations are also

<sup>34</sup> Conclusion of Law 57.

the time for the bidder to share greater levels of program details and to address any concerns that the IOU may have regarding the program design and delivery. SDG&E did not proactively engage the bidder in improving the proposed program design or delivery. In future solicitations, the IOU should actively engage the bidder in contract negotiations on possible program improvements, especially in program delivery and support.

This program was Okapi's first successful bid in SDG&E's EE solicitation. Okapi has delivered other EE programs but had no experience with SDG&E EE contract negotiations. As a result, contract negotiations were extended over six months.

[REDACTED] SDG&E

should work with its PRG and collective IEs to accelerate the contract negotiations. These improvements could include weekly contract negotiation meetings, first addressing the most important issues (e.g., compensation), refinements to the standard contract, and improvements to SDG&E's internal contract approval process.

SDG&E and Okapi addressed several other

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

---

<sup>35</sup> Decision 16-08-019, p. 75.

## b. Fairness of Negotiations

Overall, the contract negotiations were fair and transparent. Negotiations resulted in a contract that closely resembled the bidder’s proposed program design. The following are changes to the budget and key program activities due to the contract negotiations.

	Contracted
EE Budget	\$9,164,924
EE/DR Budget	\$0
Energy Savings, kWh, net	13,887,094
Energy Savings, Therms, net	176,543
Demand Reduction, kW, net	1,284
TSB	\$14,786,135
TRC Ratio	1.45

## c. Changes to Contract Terms & Conditions

To comply with CPUC directives, SDG&E provided the bidder with standard and modifiable CPUC terms and conditions at the start of contract negotiations.<sup>36</sup> The IE reviewed all documents and confirmed that the Contract includes the CPUC's standard terms and conditions. The IOU proposed a set of additional terms and conditions. These other terms do not conflict with the CPUC standard terms and conditions as SDG&E included an additional contract term which clarified that the CPUC standard terms and conditions take precedence over any potential conflicting terms in the

<sup>36</sup> Decision 18-10-004, Ordering Paragraph 7.

Agreement. The IOU and the bidder agreed to all terms and conditions. The IE also reviewed the Contract against the PRG's Contract Checklist and found no issues with SDG&E's contract.

#### d. Conformance with CPUC Policies and Objectives

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

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



**Table 4.3: Contract Alignment with CPUC Policies and Objectives**

PRG Guidance and Other Considerations	IE Response
A reasonable number of KPIs.	Confirmed. [REDACTED] address program performance, compliance, customer satisfaction, and marketing.
KPIs make sense in terms of measuring, scale, and timeframe.	Confirmed. The IE notes that the TRC KPI may be redundant to [REDACTED] [REDACTED] [REDACTED]
The contract includes appropriate performance issue remedies.	Confirmed. The Contract identifies the process to remedy performance issues in Schedule A.
The contract clearly addresses Support Services.	The Contract identifies IOU services (e.g., customer data) it will provide to the Implementers. These services are limited to activities (e.g., review of marketing materials, secondary inspections, etc.) expected in the Program Administrator’s role. The Implementer is not charged a fee for these standard services.
Innovative aspects of the Program are retained.	Confirmed.
If applicable, IDSM components are included.	The Implementer will assist the customer in identifying IDSM opportunities within the customer facilities.
If applicable, program considerations for HTR and DACs are incorporated.	Confirmed. The Contract includes a program participant goal to promote EE in customer facilities located in DACs.
Changes proposed by the IOU and the Implementer were reasonable and fair.	Confirmed.

**e. Uniformity of Contract Changes**

[REDACTED]

## 4.2 Final Selection

Consistent with the IOU's approved Solicitation Plan,<sup>37</sup> SDG&E made its final selection based on the outcome of its evaluation and ranking of all the proposals, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

---

<sup>37</sup> SDG&E's Rolling Portfolio Solicitation Proposal, Section V.B, Program Solicitation Timeframe.

### 4.3 Contract Execution

SDG&E and Okapi executed the contract on June 3, 2022. Upon CPUC approval of the completed Contract, the Contract will be effective. Okapi may begin initial program tasks at that time, including developing the Program's IP, which SDG&E forecasts to complete in Quarter 3 of 2022.

Table 4.4: Executed Contract		
Bidder	Contract Duration	Program
Okapi	70 months (estimated)	CAP4ZNE Program

### 4.4 PRG and IE Feedback to Contracting

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

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

Both the PRG and IE provided input to SDG&E on the draft Contract. The following lists PRG recommendations, key IE recommendations, and SDG&E responses.





The IE provided several discrete recommendations on the draft Contract to SDG&E. Below is a list of key IE recommendations and the IOU’s responses. SDG&E should provide additional time to review and consider IE recommendations on draft contracts in future contract negotiations. The IOU should work with its collective IEs to create a standard procedure to facilitate such IE and IOU contract-related discussions.

Table 4.5.b: IE Contract Recommendations		
Topic	Comment	IOU Response
<b>24-Month Performance Period</b>	The Contract does not support a 24-month M&V period. The program could not offer strategies that required a 24-month M&V period. Thus, after the first 15 months of the program, the Implementer could not offer such strategies. At a minimum, the IE suggests extending the contract M&V period by 2.3 years after December 31, 2025.	The Contract term is extended to address the concern.
<b>Define Annual Uncommitted Funds</b>	Uncommitted funds are defined in the EE Policy Manual (section II.6 - Funding Guidelines). This term should be incorporated into the Contract to avoid year-end issues regarding what program activities are considered a financial commitment.	The issue will be addressed in the annual budgeting process.
<b>Program Logic Model Diagram</b>	The program includes discrete program strategies such as integration of education and workforce partnership on internship training. SDG&E should ensure that each program strategy is represented in the PLM along with expected outputs and outcomes.	The PLM adequately reflects the program offering.
<b>KPIs</b>		

Overall, the IE reminds SDG&E that the CPUC does allow collaboration between the bidder and the utility on the final program design.<sup>38</sup>: During contract negotiations, SDG&E should actively

<sup>38</sup> In Decision 16-08-019, the CPUC allows the IOU and the selected Bidder, after program selection, to collaborate on the ultimate program design implemented by the third-party Conclusion of Law 57.

engage the bidder, especially on program delivery which can eventually lead to the third party implementing a more successful program

## **5. Assessment of Final Contract**

The final Contract represents Okapi’s original program design. The final Program should be considered third-party proposed, designed, and delivered consistently with CPUC's definition of a third-party program. The Contract complies with all specific CPUC directives related to third-party contracts, including incorporating all standard CPUC terms and conditions without modification. The final KPIs and Implementer compensation structure allows the IOU to actively monitor key program management and performance elements, including achieving pre-established energy savings and cost-effective targets throughout program implementation.

### **5.1 Bid Selection Respond to Portfolio Needs**

SDG&E sought to procure an innovative program(s) that reliably captures cost-effective energy savings applicable to SDG&E’s Local Government customer facilities. Previous SDG&E-designed offerings included comprehensive non-resource local government partnerships. The CAP4ZNE Program, designed by Okapi, fulfills SDG&E’s procurement needs.

The CAP4ZNE offering did exceed SDG&E’s annual TRC ratio targets in the latter years of the Contract. The IOU should avoid placing energy savings targets in the RFA/P and, instead, refer bidders to the CPUC-adopted EE goals, EE potential studies, and prior program results as indicators of expected program performance levels.

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

#### **a. Introduction**

The Program received the highest overall score in the competitive solicitation. SDG&E applied the established scoring rubric to select Okapi’s proposal. SDG&E determined that Okapi’s proposal provided the best overall value to ratepayers and, most importantly, the best opportunity to provide a cost-effective program that serves SDG&E’s entire local government segment. The IE monitored every aspect of the solicitation, including the IOU's evaluation leading to SDG&E's final selection. Based on this monitoring, the IE agrees with SDG&E's decision that the Program provides the best value to the IOUs' ratepayers among the proposals received in this solicitation.

#### **b. Program Description**

The Okapi Program is a comprehensive EE offering to serve the local government segment. The Program expands upon previous local government partnerships by providing customer incentives

(deemed, custom, NMEC) in conjunction with a tailored Partner Action Plan which identifies the potential EE and IDSM opportunities in facilities. The Program assists the customer in deploying their Action Plan through customer incentives, technical assistance, and ongoing energy monitoring through a web-based Dashboard.:

**c. Budget and Cost-Efficiency**

The Okapi Program budget of \$9,164,924 is larger than the solicitation target budget due to the additional program year added during contract negotiations. The Implementer's administration and marketing budgets are within the cost category targets established by SDG&E for its EE solicitations. Okapi will pay all rebates/incentives directly to the customer. The Contract does not capture the specific customer incentives budget; instead, it includes the implementer incentives as price per kWh and term of energy savings.

Table 5.1: Program Budget						
Cost Category	2022	2023	2024	2025	Total	% of Total Budget
Administration	\$178,295	\$293,360	\$234,120	\$233,924	\$939,699	10%
Marketing	\$104,979	\$175,972	\$140,412	\$140,330	\$561,693	6%
Direct Implementation	\$641,346	\$892,140	\$347,416	\$345,698	\$2,226,600	24%
Implementer Incentives	\$346,759	\$1,641,025	\$1,692,738	\$1,756,410	\$5,436,932	59%
Total EE Budget	\$1,271,379	\$3,002,497	\$2,414,686	\$2,476,362	\$9,164,924	100%

SDG&E limits the Implementer’s budgets to the annual cost categories presented in the Contract, as shown above. For example, suppose the unspent and uncommitted cost category budget remains at the end of a program year. The Implementer cannot carry this remaining budget to the next program year without SDG&E's approval. The Contract does not define a program financial commitment nor address carryover of financial commitments from year to year within the contract period. Given the longer-term nature of the financial commitments with this comprehensive offering, the Program’s expected financial commitments will likely need to be addressed at the end of every program year. In the future, SDG&E could amend the Contract to define a financial commitment, which may help the Implementer manage its budgets.



**d. Expected Program Performance**

The Program forecasts to achieve nearly 13.9 million net kWh and 233,104 net therms of annualized energy savings and over 2.4 MW in net demand reduction over the Contract term. The Implementer expects the Program’s forecast to remain flat throughout the implementation period, as shown below.

Table 5.2: Program Energy Savings Goals					
	2022	2023	2024	2025	Total
kWh Savings (annualized, net)	876,814	3,777,786	4,619,007	4,613,487	13,887,094
Therm Savings (annualized, net)	8,360	103,288	28,041	36,854	176,543
kW Demand Reduction (net)	113	293	425	453	1,284

**e. Cost-Effectiveness**

The CAP4ZNE Program is cost-effective, with a forecasted TRC ratio of 1.43. The PRG and IE have concerns regarding the viability of such a cost-effective program in the local government segment, given the public sector's lower cost-effectiveness over the past several years. The PRG recommends that SDG&E closely monitor program performance to confirm the forecast is reasonable. The IE recommends that SDG&E closely monitor Okapi’s customer project pipeline. The Program's cost-effectiveness showing, by year, is shown below:

Table 5.3: Program Cost-Effectiveness Targets				
	2022	2023	2024	2025
TRC Test Ratio	0.71	1.79	1.32	1.45

**f. IDSM**

The Program proposes to take inventory of the customer’s buildings and facilities, energy use, benchmarking, and past EE projects to determine a priority EE project list for the Partner Action Plan (Plan). The Plan will also identify IDSM opportunities in the facilities for the customer to consider. The final IP should detail what IDSM recommendations (e.g., solar, clean energy storage, etc.) could be promoted to the customers.

**g. DAC Customers**

The Program will target facilities located in DACs. In response to PRG feedback, the Contract now assigns a specific DAC KPI that encourages the Implementer to target facilities in DACs. The final

IP should present more details of how the Program will reach out to these LG customers with DAC facilities and how the program will confirm that the facility meets the DAC definition set by the CPUC.

**h. Disadvantaged Worker Policy**

The Program Implementer will align with the San Diego Green Building Council to provide regular and on-demand classes on various topics such as climate change, EE design, water savings, maintenance, and operation. The Program will also provide a curriculum to complement the workforce training to benefit primarily disadvantaged workers. SDG&E requires the Implementer to report its efforts on an annual basis. The IE encourages the IOU and Implementer to provide greater detail on how the Program will support this CPUC policy in the final IP.

**i. Workforce Standards Policy**

The Contract requires the Implementer to report on how they will comply with the CPUC’s prescriptive workforce standards and quality installation procedures. The IE encourages the IOU and Implementer to provide greater detail on how the Program will support this CPUC policy in the final IP.

**j. Measurement and Verification Plan**

The Contract includes an M&V Plan that describes how the Program will perform data collection, savings estimations, verification, and reporting. The final detailed M&V Plan should remove reference to custom and NMEC as part of the final IP.

**k. Implementer Compensation**





The IE recommends that the IOU avoid assigning performance assurance requirements in its contracts when an implementer’s compensation is primarily pay-for-performance or pay-for-

deliverable. In such cases, the ratepayer's financial risk is relatively minimal, and such provisions may reduce the number of bidders, especially smaller firms, participating in future solicitations.

**n. Innovation**

The Program offers the following innovations:

Table 5.5: Program Innovations	
GHG Reductions and Renewables Opportunities	Aid the Local Government in developing GHG Inventories and reduction opportunities along with renewables opportunities.
Web Dashboards	Provides tailored Partner Dashboards that allow the customer to track its project progress against the goal of increasing customer awareness of the EE path to ZNE.
Concierge approach	Provide customers with a one-stop-shop approach, including technical support to help customers overcome customer attitude and aptitude barriers.

**o. Key Performance Indicators**

The Program has eleven KPIs tied to the Implementer's financial compensation. KPI achievement is the primary means of assessing the Program's operational performance on an ongoing basis. The KPIs address program performance, project reporting, inspections, and DAC facilities. Beginning in Program Year 2024, the energy savings goal KPIs are replaced by the CPUC's new TSB goal metric.<sup>39</sup>: This change aligns with the Implementer's TSB KPI and the IOU's overall CPUC-adopted annual TSB goals.

Also, SDG&E could have improved the project inspection KPI by including a provision that requires SDG&E to confirm the Implementer's inspection within a business day. SDG&E considered but ultimately chose to retain the KPIs as they are consistent with other SDG&E EE contracts.

**6. Overall Assessment of Solicitation**

SDG&E's conduct during the Local Government program solicitation was fair, equitable, and transparent.

This solicitation was SDG&E's attempt at procuring a cost-effective resource acquisition program to serve the EE needs of the local government segment. Previous SDG&E program offerings primarily

<sup>39</sup> Decision 21-05-031 Ordering Paragraph 1

focused on a non-resource local government partnership model. CAP4ZNE is a resource program that offers a one-stop-shop approach to simplify customer engagement. The Program provides a wide array of strategies supported by tailored Energy Plans, including an inventory of EE and IDSM opportunities for the customer to pursue over multiple years.

### **Monitor Program Activities**

The Program is a newly designed offering for both the Implementer and SDG&E. The PRG notes that the Program appears to provide a lot of technical assistance to a public sector that struggles with cost-effectiveness. The PRG suggests developing risk mitigation measures if the program cannot achieve the cost-effectiveness forecasts. The IE recommends that SDG&E closely monitor customer-related project activities and help the Implementer adjust to any challenges in meeting cost-effectiveness or energy savings goals. Proactive EE project monitoring should allow SDG&E and the Implementer to develop and implement any necessary mitigation plans in a timely manner.

### **Reduce Contract Negotiation Schedule**

The contract negotiations began in November 2021 and concluded in May 2022. SDG&E should confer with its PRG and collective IEs on ways to reduce the timing of the contract negotiations phase. Potential solutions could involve improving [REDACTED] and scheduling weekly meetings with detailed agendas.

### **Bonus**

[REDACTED] SDG&E, in all future contracts, should include a bonus opportunity for implementers to exceed expected program performance. Such bonuses should be large enough to incentive excellence while recognizing the IOU's fiduciary responsibility of managing the portfolio budget within CPUC-authorized levels.

### **Performance Assurance**

[REDACTED]

The IE agrees with the Implementer that the ratepayer risk is limited in pay-for-performance or deliverable compensation arrangements. SDG&E should avoid assigning performance assurance requirements in its contracts when an implementer's compensation is primarily pay-for-performance or pay-for-deliverable. In such cases, the ratepayer's financial risk is relatively limited, and such provisions may reduce the number of bidders, especially smaller firms, participating in future solicitations.

## 7. Implementation Plan Assessment

The Local Government solicitation concluded with the CPUC’s approval of the executed Contract on August 11, 2022. The IE reported on the solicitation process from RFA development through Contract execution in the IE Final Solicitation Report filed as part of SDG&E’s advice letter filing seeking Contract approval. As requested by the PRG, this IE Semi-Annual Report only addresses the IE’s review of the IP for alignment with the CPUC-approved Contract. The IE review did not address whether the draft IP complied with the CPUC’s IP requirements.

In the future, the IOU should coordinate with the CPUC’s Energy Division to confirm adherence to the Energy Division’s Implementation Plan Template and other relevant CPUC requirements during the development of the IP or after the IOU has uploaded IP to Cedars.

### 7.1 Results of the Draft IP Review

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

Table 7.1: Draft IP Comparison with Executed Contract		
Topic	Consistent	IE Notes
Program Overview	Yes	
Program Summary (incl. budget, impacts, cost-effectiveness, sector, etc.)	Yes	The Program Summary should include the cumulative TRC and PAC ratios for the contract period.
Program Delivery (incl. program offerings, target market)	Yes	
Program Design (incl. strategies, tools, methods, innovation, integrated demand side management [IDSM], Program Logic Model [PLM], etc.)	Yes	
Compliance (workforce standards, disadvantaged workers, etc.)	Yes	
Metrics	Yes	
Program Rules	Yes	

Table 7.1: Draft IP Comparison with Executed Contract		
Topic	Consistent	IE Notes
(incl. customer eligibility, contractor eligibility, eligible measures, QA/QC Plan, etc.)		
PLM	Yes	
Incentive Levels & Workpapers	Yes	
Workshop	September 27, 2022	

**7.2 Public Workshop Overview Summary**

SDG&E held a public workshop on the draft IP on September 27, 2022. The webinar was well attended, with over 40 attendees. The Implementer made a detailed presentation of their respective program, which included an overview of the program design and delivery. Attendees asked questions regarding the eligibility of San Diego port tenants, GHG reduction tracking and reporting, targeting customer facilities, subcontractors, and contract duration.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the  
**Local Agriculture Solicitation**

Reporting Period: April 2022 through September 2022

*Prepared by:*  
Barakat Consulting, Inc.

**Barakat Consulting**  
I N C O R P O R A T E D

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



# Local Agriculture

## 1. Solicitation Overview

### 1.1 Overview

The solicitation target market is focused solely on the Local Agricultural segment. SDG&E Agriculture segment has approximately 4,700 accounts. These accounts represent the following categories: Nursery & Cut Flower Products, Fruits and Nuts, Vegetables, Livestock & Poultry, Livestock & Poultry Products, and Misc. Products and Services.

#### a. Scope

The solicitation target market is focused solely on the Local Agricultural segment. SDG&E Agriculture segment has approximately 4,700 accounts. These accounts represent the following categories: Nursery & Cut Flower Products, Fruits and Nuts, Vegetables, Livestock & Poultry, Livestock & Poultry Products, and Misc. Products and Services<sup>40</sup>.

#### b. Objectives<sup>41</sup>

The objective of the solicitation is to select innovative third-party EE programs (“third-party programs”) that reliably capture and document cost-effective energy savings (kWh, kW, and/or therm) applicable to SDG&E’s Local Agriculture customer facilities and provide the Agricultural Sector a solution addressing the water/energy nexus<sup>42</sup>.

### 1.2 Timing

The solicitation launched on April 26, 2021 and was completed with contract execution on July 1, 2022.

---

<sup>40</sup> SDG&E Final SDG&E Agricultural Sector: Local Agriculture RFA Scoring and Selection Report, page 3.

<sup>41</sup> Ibid.

<sup>42</sup> Water/Energy Nexus is defined as the treatment, heating, and conveyance of water in California. <https://www.cpuc.ca.gov/General.aspx?id=4139>

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFA Stage		
Solicitation Launch	April 26, 2021	12 weeks
Bidders' Conference	May 7, 2021	
Offer Submittal Deadline	May 25, 2021	
RFA Shortlist to PRG	July 13, 2021	
Shortlisting Notification	July 20, 2021	
RFP Stage		
Solicitation Launch	September 23, 2021	22 weeks
Bidders' Conference	October 1, 2021	
Offer Submittal Q&A Period	October 1 – 18, 2021	
Offer Submittal Deadline	October 27, 2021	
Cure Period	NA	
Interviews	January 2022	
RFP Shortlist to PRG	December 14, 2021 (moved to January 2022)	
Shortlisting Notification	December 17, 2021 (moved to February 2022)	
Selections & Contracting Stage		
Contracting and Negotiations Period	February - April 2022	21 weeks
Contracts Presented to PRG	May 2022	
Contract Execution	July 1, 2022	

### 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 Agriculture Solicitation during the RFP stage.

Table 1.2: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Contract Negotiations: Key Issues	Key issues such as compensation structure were not addressed until later meetings	The IE recommends that major issues like compensation structure and deliverables be addressed early on in the negotiations process	SDG&E is adopting for future solicitations
Contract Negotiations: Agendas	The parties were not always on the same page for expected topics and deliverables for each negotiation session	The IE recommends that SDG&E set expectations and an agenda for each negotiation meeting so that all parties are on the same page for what is expected and outcomes for each meeting.	SDG&E is adopting this recommendation

**2. RFA Bidder Response and Selections**

**2.1 RFA Development**

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

**2.2 RFA Outreach**

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

**2.3 RFA Bidders’ Conference**

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

## 2.4 RFA Bidders Response

The IE reported on this activity in the April 2021 through September 2021 Semi-Annual Report. Below is a summary of responses.

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

[REDACTED] were received by the May 28, 2021 noon deadline. Each of them passed the complete and conforming review by SDG&E. Below is a summary of key elements of the abstracts.



## 2.5 Abstract Selection Process

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

There were no deficient abstracts.

### b. Abstract Evaluation Team Profile

Five SDG&E team members from different departments scored the entire abstracts and are summarized in the last Semi-Annual Report.

**c. Abstract Scoring Rubric Design**

The abstract scorecard is shown in Table 2.3.

Table 2.3: Abstract Scoring Rubric	
Core Program Elements	% Of Total
Program Overview & Design	
Innovation	
Program Operations	
Cost and Performance	
Experience and Capability	
Program Compliance	
Total Score	100%

**d. Evaluation Processes and Scoring Calibration**

The evaluation process was covered in the April 2021 through September 2021 Semi-Annual Report.

**e. Abstract Selections**

The details of abstract selection were covered in the April 2021 through September 2021 Semi-Annual Report and results summarized below.



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

### a. Adherence to PRG Guidance and Feedback

The abstract review and selection process followed PRG guidance and although there was no PRG feedback at the RFA stage, SDG&E responded very favorably to most of the IE feedback.

### b. Response to IE Feedback

Response to IE feedback was covered in the April 2021 through September 2021 Semi-Annual Report.

## 3. RFP Bidder Response and Selections

### 3.1 RFP Development

Development of the RFP was addressed in the April 2021 through September 2021 Semi-Annual Report.

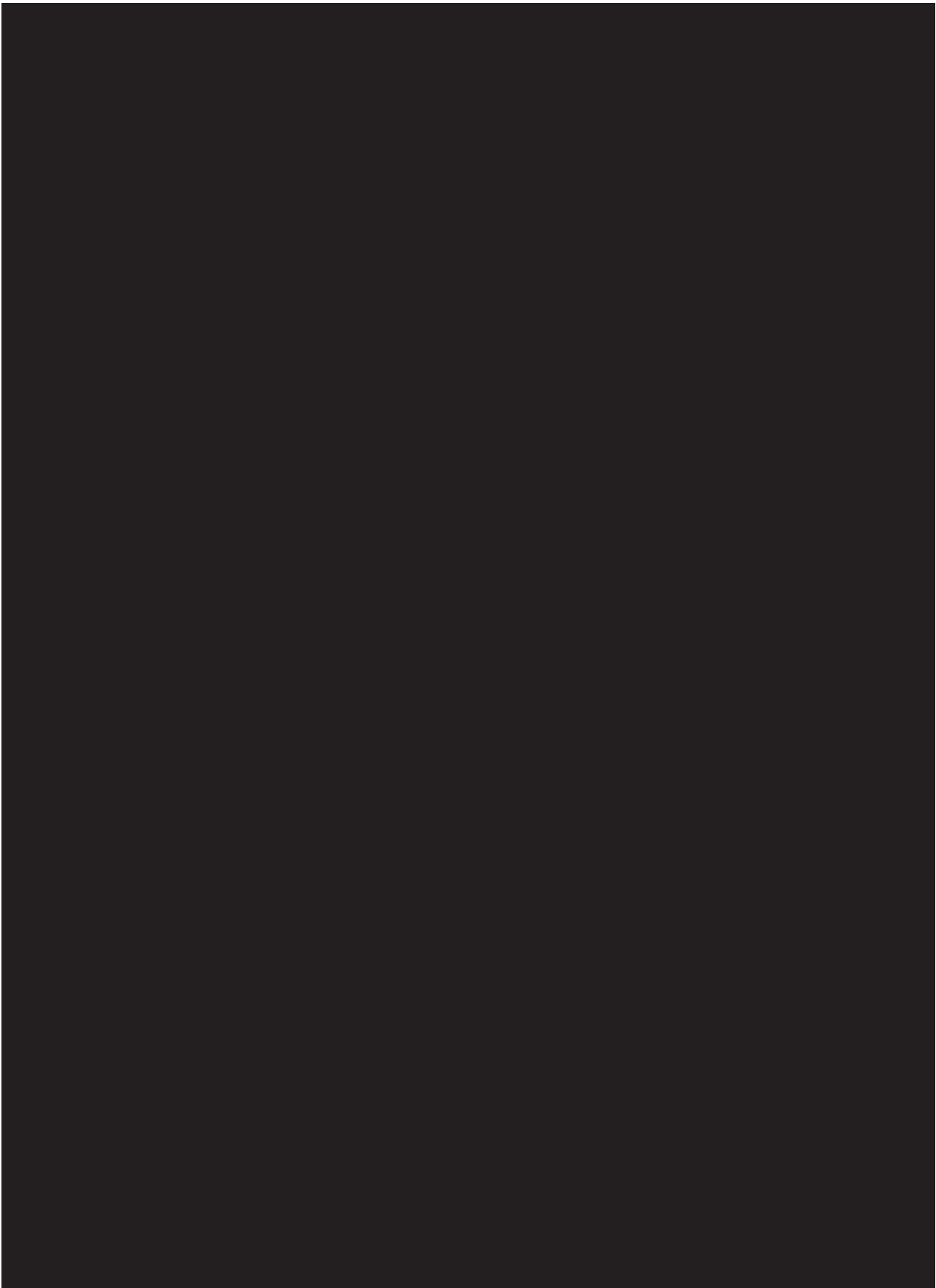
### 3.2 RFP Bidders' Conference

The Bidders' Conference was held on October 1, 2021. [REDACTED] represented at the meeting. [REDACTED] asked three clarifying questions that SDG&E responded to during the meeting and clarified the responses in writing in a submittal to PowerAdvocate on October 7, 2021.

### 3.3 RFP Bidder Response

Table 3.1: Solicitation RFP Response	
	No.
Proposals Expected	[REDACTED]
Proposals Received	[REDACTED]
Proposals Disqualified	[REDACTED]
Proposals moved to Contracting	[REDACTED]

[REDACTED] Details on the proposals were provided in the October 2021 through March 2022 Semi Annual Report.





### **3.4 Proposal Selection Process**

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

There were no deficient abstracts.

#### **b. Proposal Evaluation Team Profile**





**c. Proposal Scoring Rubric Design**

The Proposal scorecard is shown in Table 3.3.

Table 3.3 Proposal Scoring Rubric	
Core Program Elements	% Of Total
Program Overview & Design	[REDACTED]
Innovation	
Program Operations	
Cost and Performance	
Experience and Capability	
Program Compliance	
Total Score	100%

**d. Evaluation Processes and Scoring Calibration**

Evaluation and calibration were covered in the prior Semi-Annual Report (April 2022 – September 2022)

**e. Interviews**

[REDACTED]

**3.5 PRG and IE Feedback to Proposal Process and Selections**

PRG and IE feedback was included by SDG&E in the selection process and information was provided in the prior Semi-Annual Report.

**4. Contracting Process**

SDG&E kicked off negotiations in February 2022 with an overview presentation from Cascade followed by 10 meetings running on a weekly basis from March through June, 2022. All key aspects of the contract, attachments, exhibits, and compensation structure were discussed.

## 4.1 Contract Negotiations

SDG&E set up weekly one-hour meetings with Cascade, with meetings generally lasting 30 minutes. Throughout the process, the negotiations were fair and transparent with Cascade. No substantive contract changes were made, and the parties reached agreement on all aspects of the contract, including budget, compensation, deliverables, and marketing plan elements.



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

Contract negotiations included compromises by both parties and a resulting collaboration on elements of [REDACTED]

[REDACTED] The discussions were reasonable and grounded in the need to serve a typically underserved and hard to reach market in the SDG&E service territory. Ultimately the program design and scope should benefit from the collaboration between parties during negotiations.

### b. Fairness of Negotiations

Barakat Consulting monitored all bidder negotiations meetings and reviewed and provided feedback on the original SDG&E contract materials and reviewed all the materials associated with the Cascade Energy, Inc contract. The process was fair and transparent from start of negotiations to contract execution.

### c. Changes to Contract Terms and Conditions

CPUC standard terms are unmodified in the final contract with Cascade. Changes to the modifiable terms and conditions were minimal. The non-modifiable terms and conditions, as categorized in Attachment A of Decision18-10-008, are included in the Final Contract. Schedule A1 of the agreement includes all CPUC standard and modifiable terms and conditions.

The combination of Schedule B: Scope of Work and several attachments to the Scope of work, including, Attachment 5: Marketing Plan, Attachment 7: KPIs, Attachment 9: Program Measures and Attachment 11: EE and DR Integration, viewed together provide a clear description of the scope and most relevant terms for the program. The contract as written provides a strong basis for administration and performance management for both SDG&E and Cascade.

#### **d. Conformance with CPUC Policies and Objectives**

##### **Incentive Design**



##### **Innovative Program Features**

Innovative program features<sup>43</sup> include several elements:

- Experienced energy coaches will conduct virtual or in-person energy assessments
- A cloud-based energy management and collaboration software (Energy Sensei) will be leveraged to manage customer-specific opportunity registers, track savings persistence and document program influence.
- Free training to customers to meet their level of expertise
- Self-serve online video modules focused on the SMB customers in particular
- Creative incentive structure to improve customer experience and satisfaction with offer adders to promote project savings from HTR, DACs and Socially Disadvantaged Farmers
- Leverage site specific NMEC or large customers where applicable
- Trusted Market Actors (trade associations, community organizations and educational institutions) will focus outreach to help with customer acquisition channels
- Customers will be assigned a single point of contact energy coach
- Program will promote IDSM through education on DR programs and installation of

---

<sup>43</sup> Cascade Bidders Response Offer Form (RFP)

controls technologies

- The program will promote water savings and will also cover the full lifecycle of farm water use, including energy-intensive water transportation, highlighting opportunities to improve efficiency at each step of the process

#### **e. Uniformity of Contract Changes**

Given that there was just one contract being negotiated, contract changes were made to the Cascade contract only. However, any improvements to the contract materials overall can be carried over to other solicitations.

### **4.2 Contract Execution**

The contract was executed on July 1, 2022, and contributes to the 60 percent CPUC requirement deadline of December 31, 2022.

### **4.3 PRG and IE Feedback to Contracting**

In our final review of the contract in its entirety, our main areas of feedback included the following:

- General editorial, formatting, and naming conventions to ensure all documents are consistent
- Questions about the insertion of some pay-for-performance language
- Clarification about EE/DR funding sources (all EE related to these efforts is coming from EE budgets and the DR portion comes from DR budgets)
- Clarification about use of SEM terminology – there is no SEM in the program

All of our issues and questions were addressed by SDG&E.

The Energy Division SME provided feedback in the following areas:

- Clarifications and inclusion of definitions, including NMEC, EE/DR integration, IDSM
- Reporting on technology types that are part of the IDSM efforts
- Updating of Logic Model to include a clearer depiction of DR/EE integration and NMEC

SDG&E and Cascade made updates to the contract materials to address the ED questions and comments.

The Contract also meets all of the requirements of the PRG checklist.

## 5. Assessment of Final Contract

According to SDG&E's business plan, SDG&E requires an Implementer to propose, design, implement and deliver a program to local agriculture customers. SDG&E's Agriculture segment has approximately 4,700 accounts. These accounts represent the following categories: Nursery & Cut Flower Products, Fruits and Nuts, Vegetables, Livestock & Poultry, Livestock & Poultry Products, and Misc. Products and Services.

While this sector plays an important role in the area's economy, it faces significant challenges. SDG&E's agricultural sector can best be characterized by five main features<sup>44</sup>:

- **Mild Climate** — The service territory has a mild, Mediterranean climate. With an average temperature of 63 degrees and ample sunlight, this area is capable of year-round production for many crops.
- **Expensive Land** — Land values in SDG&E's service territory trend more with real estate values than agricultural inputs and values.
- **Poor Soils** — Only six percent of the soils in the County are considered prime for agricultural use. Soil improvement is a major task for any area farmer.
- **Expensive Water** — Not only is water availability an issue in California, but the cost of the water that is available is expensive. In 2020, about two-thirds of the region's water supplies are from the Colorado River, about 20 percent is from local sources and the rest is from the Northern California.
- **Small and Numerous Farms** — With more than 5,700 farms, San Diego County has more farms than any other county in the U.S. The average farm size in California is 334 acres, which is below the national average of 438 acres. These farms include Socially Disadvantaged Farmers as defined in AB 1348.

The Ag-STAR program effectively responds to the portfolio needs by addressing the entire agriculture market in the SDG&E service territory, including HTR/DAC and socially disadvantaged farmers.

KPIs in Attachment 7 of the contract, reflect the goals of the program from a savings, performance, and customer satisfaction standpoint. Table 5.1 identifies the KPIs<sup>45</sup> for the Program in years 2022-2023. Additional KPIs including TSB and TRC, are added for the years 2024-2026. These KPIs will be the primary means of assessing the Program's performance on an ongoing basis with tracking of KPIs on a quarterly basis and development of a KPI score (multiplier \* score) on a quarterly basis.

---

<sup>44</sup> SDG&E EE Business Plan

<sup>45</sup> Attachment 7 to the Schedule B: Scope of Work

**Table 5.1: KPIs Years 2022-2023**

Category	Description
Program Performance: kWh Savings (net 1 <sup>st</sup> Year savings)	To date, percent achieved of net 1 <sup>st</sup> Year kWh savings required under the Agreement, based on planned savings acquisition rate
Program Performance: kW Savings (net 1 <sup>st</sup> Year savings)	To date, percent achieved of net 1 <sup>st</sup> Year kW savings required under the Agreement, based on planned savings acquisition rate for the reporting year
Program Performance: Therm Savings (net 1 <sup>st</sup> Year savings)	To date, percent achieved of net 1 <sup>st</sup> Year Therm savings required under the Agreement, based on planned savings acquisition rate for reporting year
Program Performance: TRC Ratio	Program’s TRC ratio based on measure installations and compensation to date
Compliance: Program Performance (Energy Savings): Reporting Accuracy	Average percent variance between the forecasted energy savings figures at the start of the reporting period and actual figures at the end of the reporting period
Compliance: Program Performance (Budget Utilization): Reporting Accuracy	Average percent variance between the forecasted expenditures and accruals figures at the start of the reporting period and actual figures at the end of the reporting period
Marketing: Enrollment of Customers	Number of customers to date who take action as defined in Attachment 5 Marketing Plan divided by # of customers forecasted per the marketing plan
Customer Satisfaction: Survey Scoring	Average score of customer satisfaction surveys administered by Implementer (Assuming a 5-point scale where 5 is highly satisfied)
Customer Satisfaction: Complaints Received	Number of complaints received over the course of the most recent four quarters (rolling year)
Compliance: HTR/DAC/Socially Disadvantaged Farmers Penetration:	To date, percent of program savings from DAC/ HTR/Socially Disadvantaged Farmers markets (average of kWh, kW, therms)
Compliance/Program Performance	Percent of inspections that pass on the first attempt Cascade will inspect a percentage of projects to ensure accuracy and validate savings
Program Performance/Customer Satisfaction	Average score on new question added to customer satisfaction survey asking customers to indicate if they feel their understanding of IDSME, DR, and water efficiency opportunities has increased after participation in Ag-STAR.

## 5.1 Bid Selection Provides Best Overall Value to Ratepayers

The Cascade program provides the best overall value to ratepayers compared to other programs that were proposed. The program is a four-and-a-half-year program with a total budget of \$2,247,714 (about half of the \$4.8 million budget cap) that will serve all eligible agriculture customers in the SDG&E service territory.

The Ag-STAR program provides the best overall value to ratepayers compared to other programs that were proposed for the Ag sector. Prior to going into the negotiations process, the Ag-STAR proposal was the highest scoring proposal of all those submitted to serve the sector. Even though the budget and savings were lower than the budget and savings goals established by SDG&E, the overall program had a better TRC compared to the alternative. The program is cost-effective, innovative, includes IDSM features that are very appropriately tailored for the Ag sector, and has a critical focus on the HTR/DAC customers that make up part of the Ag sector given the geographic locations of many Ag facilities.

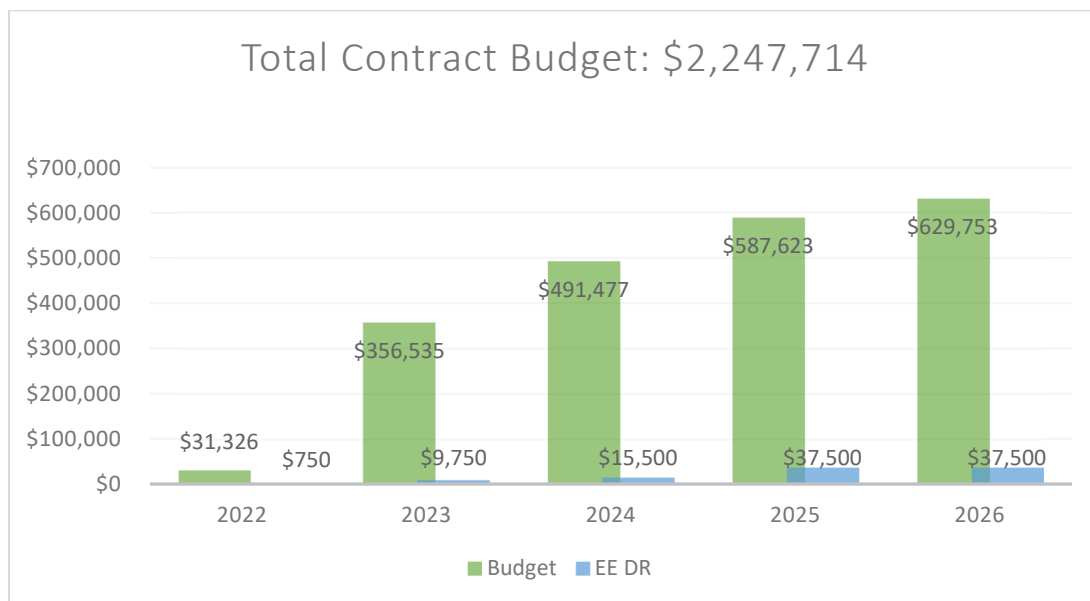
Table 5.2 details some of the best overall program components from a quantitative standpoint.

Table 5.2: Ag-STAR Quantitative Program Elements	
Four and a Half Year Program Budget (including Start up and Ramp Down period)	\$2,247,714
IDSM Budget (DR Portion)	\$101,000
Program Benefits	
Net kWh Savings	2,400,907
Net kW Savings	281
Net Therms Savings	169,400
Net to Gross kWh	0.77
Net to Gross kW	0.65
Net to Gross Therms	0.80
Total Resource Cost (TRC) Ratio	1.01
Program Administrator Cost (PAC) Ratio	1.09
Total System Benefits	\$2,244,625
Lifecycle Net kWh	18,498,104

Table 5.2: Ag-STAR Quantitative Program Elements	
Lifecycle Net Therms	1,223,055
Expected Savings from HTR/DAC <sup>46</sup>	8%
Cost Efficiency	
NPV of Net Life-cycle benefits	\$18,853
PAC Levelized Costs Per Therm	\$1.16
PAC Levelized Costs Per kWh	\$0.09

The budget breakdown by year is shown below and includes an additional \$101,000 over the contract term from the DR program to support EE/DR integration.

Figure 5.1: Contract Budget by Year



<sup>46</sup> HTR/DAC Participation goals are 10 percent



Summaries of net savings and total system benefits by year are shown below.

Figure 5.2: Energy Savings

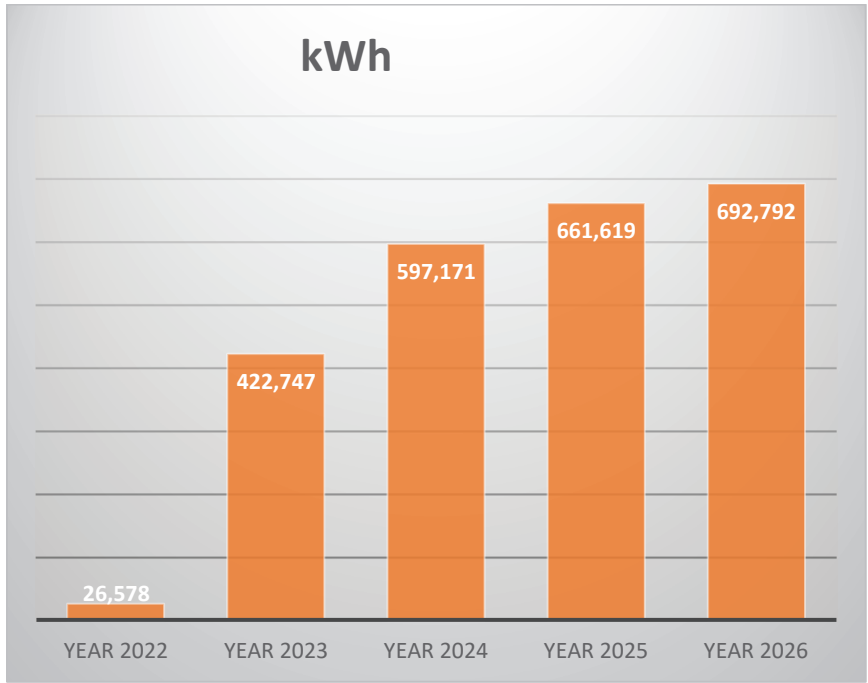


Figure 5.3: Demand Savings

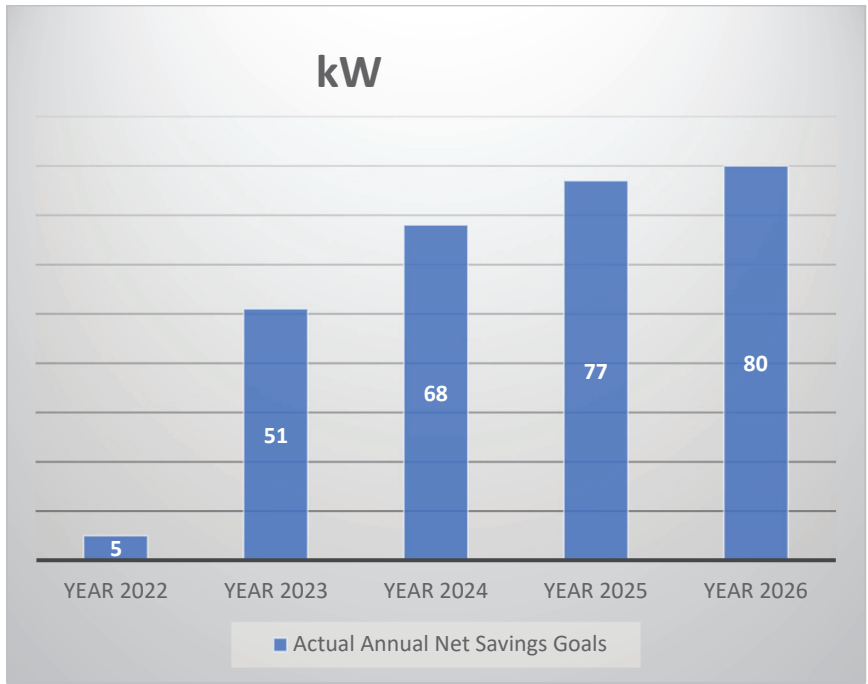


Figure 5.4: Gas Savings

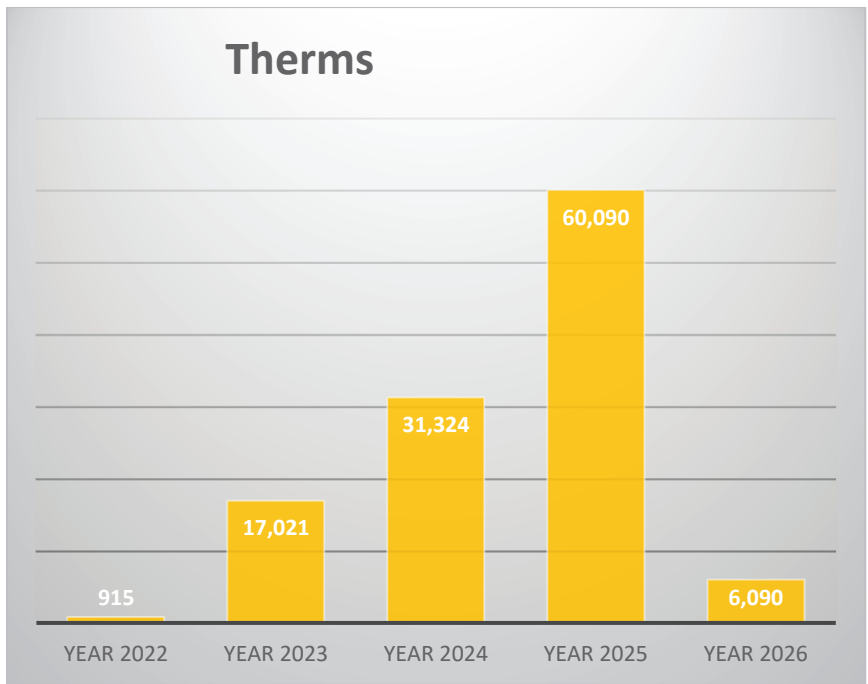
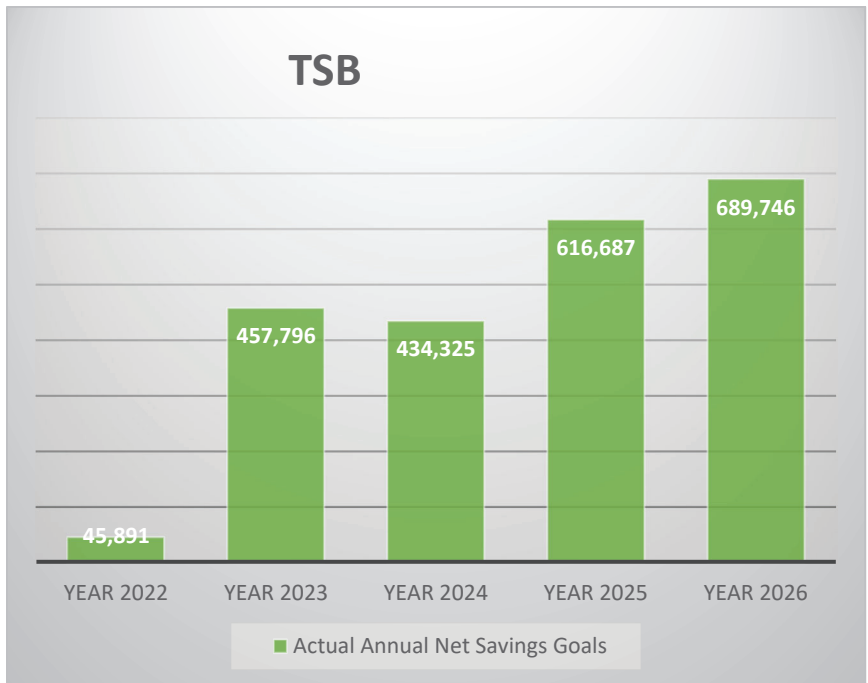
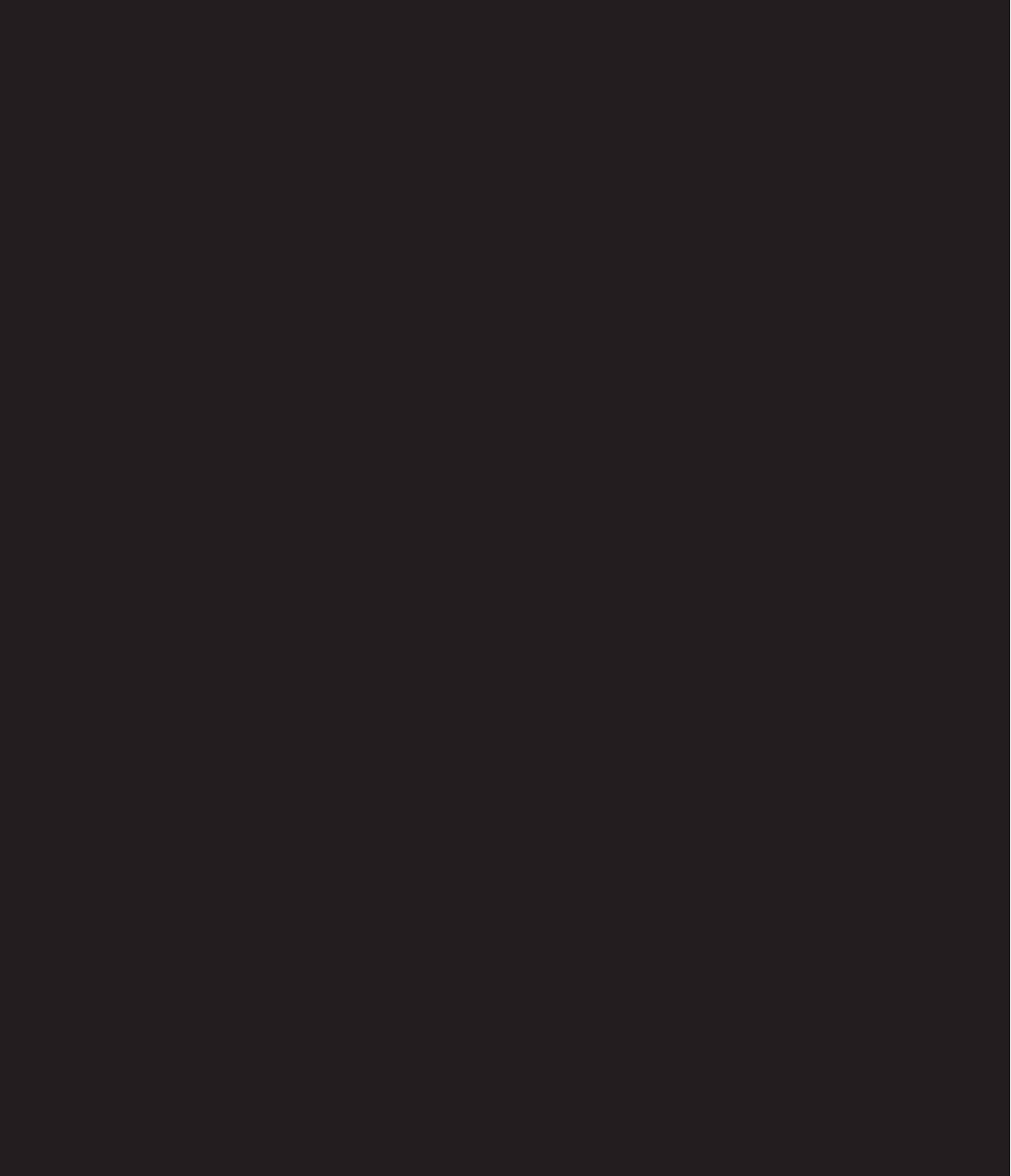


Figure 5.5: Total System Benefits



### 5.3 Program Deliverables





## Innovation

Innovative program features include the following key elements:

- Free training to customers to meet their level of expertise
- Creative incentive structure to improve customer experience and satisfaction with offer adders to promote project savings from HTR, DACs and Socially Disadvantaged Farmers

---

<sup>48</sup> Schedule C: Compensation

<sup>49</sup> Schedule C: Compensation

- Program will promote IDSM through education on DR programs and installation of controls technologies
- The program will promote water savings and will also cover the full lifecycle of farm water use, including energy-intensive water transportation, highlighting opportunities to improve efficiency at each step of the process

## **6. Overall Assessment of Solicitation**

The overall solicitation process was reasonable and fair to all bidders.

During the negotiations and contract review process, Barakat did not observe or otherwise uncover any issues that would prevent contract execution at this time. We believe that the results of the negotiations are reasonable and appropriate. Both parties demonstrated flexibility in arriving at an agreement and the contract terms and conditions and payment terms for the final contract were improved as a result.

## **7. Implementation Plan Assessment**

To be covered in the next Semi-Annual Report.

Energy Efficiency Independent Evaluators' Semi-Annual Report on the

## **Statewide Residential HVAC Quality Installation and Quality Maintenance Solicitation**

Reporting Period: April 2022 through September 2022

*Prepared by:*  
Don Arambula Consulting



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

# Statewide Residential HVAC Quality Installation and Quality Maintenance

## 1. Solicitation Overview

### 1.1 Overview

This Report on the Statewide Residential HVAC Quality Installation and Quality Maintenance (Statewide Residential HVAC QI/QM) solicitation covers the period between April 2022 through September 2022. As a result, the Report addresses the RFP stage of SDG&E's program solicitation.

The solicitation seeks an innovative Statewide HVAC Quality Installation and Quality Maintenance (QI/QM) program directed at all California IOU service territories in the residential customer segments. SDG&E may extend the selected program(s) by two years based on program performance and funding availability. The proposed budget may not exceed \$6.9 million per year, with an overall proposed budget no greater than \$20.7 million for the three-year program implementation period. The solicitation may result in multiple awards.

#### a. Scope

The Statewide HVAC QI/QM program solicitation seeks innovative, comprehensive, market support-based<sup>50</sup> program ideas to have residential customers modify their HVAC equipment and equipment-based behaviors to reduce energy use. While market support programs are primarily considered non-resource, bidders may propose programs that deliver energy savings. This Program will assist SDG&Es in achieving various portfolio and sector metrics. Program designs may address the following overarching program outcomes:

- Engage residential customers and/or industry HVAC actors to adopt HVAC quality installation and quality maintenance actions, especially those that directly lead to reduced electricity load during the peak and net peak hours, coordinating with the Statewide HVAC program for new installations and proper disposal of refrigerant.
- Change customer and/or HVAC industry behaviors by improving their understanding of HVAC QI/QM benefits by providing relevant awareness, information, and education, including the benefits of cost-effective fuel substitution opportunities.
- Utilize and leverage the defined criteria of the IDSM solutions, including EE/DR integration, related to residential customers to promote demand shifting and peak conservation.<sup>51</sup> IDSM efforts should involve referring customers to participate in other

---

<sup>50</sup> Decision 21-05-031 states: "Programs with a primary objective of supporting the long-term success of the EE market by educating customers, training contractors, building partnerships, or moving beneficial technologies towards greater cost-effectiveness." p. 14.

<sup>51</sup> Refer to Decision 18-05-041. pp. 34-38, for guidance on appropriate activities.

residential programs such as ESA, CARE, and FERA.

- Accelerate activities within the residential HVAC QI/QM market before the Summer of 2023, resulting in a lower overall electricity load, particularly in the peak and net peak hours.
- Encourage customer achievement of deep, longer-term energy savings associated with HVAC QI/QM.
- Increase program participation from residential customers, including HTR customers and those who reside in DACs.
- Include a flexible delivery approach targeting specific customers based on specific criteria such as distinct climate zones, high HVAC energy usage, or other characteristics (e.g., Public Safety Power Shutoff zones, etc.).
- Support the achievement of applicable residential sector metrics.<sup>52</sup>
- Address barriers and drivers identified in SDG&E Business Plans.<sup>53</sup>

**b. Objectives**

The objective of the solicitation is to select an innovative program(s) that will support quality installation and quality maintenance of HVAC systems in the residential sector across all four California IOUs.<sup>54</sup> The Program will be funded by SDG&E’s "Market Support" segment of the EE program portfolio.<sup>55</sup> The CPUC's cost-effectiveness threshold requirements do not apply to the Market Support segment. However, SDG&E does encourage bidders to propose a cost-efficient program design and delivery that maximizes program performance.

**1.2 Timing**

SDG&E’s RFA release was consistent with the projected release timeframe (third quarter of 2021), as shown in SDG&E’s solicitation schedule presented to the bidder community through the CAEECC site. Unless otherwise indicated, all milestones were met or on schedule. Table 1.1 below includes key milestones for this program solicitation.

Table 1.1: Key Milestones		
Milestones	Completion Date	Duration
RFA Stage		
1. RFA Released	September 29, 2021	12 weeks

<sup>52</sup> Attachment A of this RFA.

<sup>53</sup> Id.

<sup>54</sup> California IOUs include PG&E, SCE, SDG&E and SoCalGas.

<sup>55</sup> Decision 21-05-031.



Table 1.1: Key Milestones		
Milestones	Completion Date	Duration
2. Optional Bidders' Conference	October 5, 2021	
3. Bidder Questions Due	October 11, 2021	
4. Responses to Bidder Questions Due	October 18, 2021	
5. Bidder Abstract Submission Due	October 28, 2021	
6. Submittal Review	December 1, 2021	
7. Bidders Notified-Advancement to RFP Stage	December 22, 2021	
RFP Stage		
1. RFP Released	March 22, 2022	16 weeks
2. Bidders' Conference	March 24, 2022	
3. Bidder Questions Due Round 1	March 29, 2022	
4. Responses to Bidder Questions	April 4, 2022	
5. Bidder Questions Due Round 2	April 8, 2022	
6. Responses to Bidder Questions	April 13, 2022	
7. Bidder's Proposal Due	April 22, 2022	
8. Proposal Review, Bid Clarification Discussions	May 20, 2022	
9. Selected Bidder Interviews	June 3, 2022	
10. Proposal Review Period End	June 8, 2022	
Selections & Contracting Stage		
1. Notification Selection (Subject to Negotiations) *	June 21, 2022	26 weeks
2. Contract Development and Negotiation *	Q4 2022	
3. Company's Advice Letter Filing, if Required *	Q4 2022	
4. Program Ramp-Up Begins	Q4 2022	
5. Full Program Roll Out	Q1 2023	

*\*Estimated Dates*

### **1.3 Key Observations**

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

### **2. RFA Bidder Response and Selections**

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

### **3. RFP Bidder Response and Selections**

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

### **4. Contracting Process**

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

### **5. Assessment of Final Contract**

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

### **6. Overall Assessment of Solicitation**

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

### **7. Implementation Plan Assessment**

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

Energy Efficiency Independent Evaluator's Semi-Annual Report on the  
**Local Behavioral Solicitation**

Reporting Period: April 2022 through September 2022

*Prepared by:*  
MCR Corporate Services



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

# Local Behavioral Segment

## 1. Solicitation Overview

### 1.1 Overview

Through this solicitation, SDG&E is seeking EE program proposals from non-utility companies targeting the Local Behavioral segment for the 2023-2025 program years. The objective of the solicitation is to implement third-party programs that reliably capture and document cost-effective energy savings (kWh, kW and/or therm) applicable to the Local Behavioral segment.

#### a. Scope

Bidders' responses should target SDG&E's eligible residential customers, who are currently on an SDG&E residential tariff rate.

#### a. Objectives

The purpose of this program is to increase residential customer awareness of their energy use with the goal of motivating those customers to modify their usage-based and equipment-based behaviors in ways that reduce energy use. The program should also encourage demand shifting and peak conservation. The mechanisms for changing these behaviors are increasing customer awareness and understanding of their energy use while providing relevant tips and program offers and increased participation in existing and future EE or DR programs.

Although multiple aspects of other SDG&E programs include behavior change elements, the focus for this specific effort should include:

- Interventions focusing on altering residential energy use
- Behavioral modeling strategies
- Behavioral energy savings

Cost effectiveness is an important element of all programs in the California IOU portfolios. The proposed program should contribute to a cost-effective portfolio and support SDG&E in achieving related CPUC-adopted portfolio goals and sector metrics.

### 1.2 Timing

Key milestones associated with the SDG&E Local Behavioral solicitation are shown in Table 1.1.

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFA Stage		
Solicitation Launch	July 26, 2021	12 weeks
Bidders' Conference	August 2, 2021	
Offer Submittal Deadline	August 23, 2021	
RFA Shortlist to PRG	October 12, 2021	
Shortlisting Notification	October 19, 2021	
RFP Stage		
Solicitation Launch	December 22, 2021	16 weeks
Bidders' Conference	January 5, 2022	
Offer Submittal Deadline	February 4, 2022	
RFP Shortlist to PRG	March 16, 2022	
Shortlisting Notification	March 22, 2022	
Bidder Interviews	March 28, 2022	
Finalist Shortlist to PRG	April 12, 2022	
Finalist Notification	April 19, 2022 (planned)	
Selections & Contracting Stage		
Contracting and Negotiations Period	May 5-September 2, 2022	~25 weeks
Contracts Presented to PRG	September 13, 2022	
Contract Execution	Late October 2022 (planned)	

### 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 Behavioral solicitation.

**Table 1.2: Key Issues and Observations**

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Program Design	The draft RFA used overly prescriptive wording in several places that not only stated that the program should include home energy reports, but even how they should be delivered. Providing that level of information and defining the program so narrowly would limit innovative program design by the bidders. The only remaining areas for innovation would have to be in marketing strategy.	Bidders should be providing the details on program design and delivery to facilitate innovation.	SDG&E deleted the language, leaving the description of the program without any inappropriate clues as to what SDG&E wanted the program to be.
Abstract Word Count Violations	Bidders were given a word limit for each question and warned that their “inability to comply with word limits may impact scoring.” The word “may” implies there is no plan, so no deterrent to exceeding the word limits.	Since SDG&E’s plan was to redact text in bidder responses that exceeded the word limits, change “may” to “will,” which will emphasize that there is a penalty to exceeding a word limit.	SDG&E changed “may” to “will” and followed through with its plan to redact excessively long bidder responses.

Table 1.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
RFP Instructions	Proposal due date did not provide bidders with 30 days to respond per EE PRG Guidelines.	Change proposal due date provide bidders 30 days to respond.	SDG&E accepted the recommendation and changed due date.
RFP Instructions	Definition of “key personnel.”	Define “key personnel” to assist bidders with determining which resumes/bios to include in their proposal response.	SDG&E accepted the recommendation and added language defining them as those “supporting the program.”
Questions from Bidders	There is an inconsistency between SDG&E’s stated bidder question policy and actual practice. SDG&E’s policy states that questions asked by bidders and SDG&E’s responses are shared with all bidders. In practice, some bidders asked specific questions that were not shared with other bidders.	If SDG&E wants to continue to have this flexibility, which may be appropriate, the language in Section 7.2 of its RFP Instructions documents should be changed to be consistent with this practice. In addition, SDG&E should determine what types of questions will be allowed outside of the Q&A period.	New recommendation.

## **2. RFA Bidder Response and Selections**

Section 2 activities were reported in the April 2021 through September 2021 and October 2021 through March 2022 Semi-Annual Reports.

## **3. RFP Bidder Response and Selections**

Section 3 activities through 3.3.d and 3.4 were reported in the April 2021 through September 2021 and October 2021 through March 2022 Semi-Annual Reports. This report completes the solicitation activities following the bidder interviews that were conducted in late March 2022 (Section 3.3.e).

### **3.3 Proposal Selection Process**

#### **e. Shortlist and Final Selections**





[Redacted]

[Redacted]

The IE agreed with this outcome.

[Redacted]





Figure 3.3 shows both SDG&E's and the IE's post-calibration proposal scores for the Local Behavioral solicitation.



#### **4. Contracting Process**

On April 19, SDG&E notified Bidgely of its intent to enter contract negotiations for the Local Behavioral program.

The IE began its review of SDG&E's draft Local Behavioral contract package on May 5. The draft contract package consisted of 22 documents, which the IE compared to document's templates for consistency and then verified the accuracy of information inserted into the documents from Bidgely's proposal documents.

## 4.1 Contract Negotiations

On May 5, SDG&E held a contract negotiation kickoff meeting with Bidgely and the IE. SDG&E estimated that contract negotiations would conclude in just 6 weeks (June 29), helped by holding twice-weekly check-in meetings with Bidgely.

SDG&E provided Bidgely the draft contract package on May 13 and asked that Bidgely return their redlines to SDG&E by May 20. [REDACTED]

[REDACTED] Delays due to longer than expected document turnaround times throughout negotiations by both SDG&E and Bidgely meant negotiations did not conclude until September 2 – 10 weeks later than planned.





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

While contract negotiations between SDG&E and Bidgely did not proceed as quickly as planned, the process ran smoothly overall. One new technique SDG&E tried that appeared successful was prioritizing the negotiation of more complicated or difficult issues – what SDG&E referred to as “pain points” – early in the process.

**b. Fairness of Negotiations**

The IE observed nothing during the negotiation process to indicate that the negotiations between SDG&E and Bidgely were anything other than fair and transparent. Both parties worked cooperatively and diligently to settle the few differences that appeared in true partnership fashion.

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

Neither Bidgely nor SDG&E proposed any changes to the CPUC’s Modifiable Terms and Conditions, so both those and the CPUC’s Standard Contract Terms and Conditions were adopted, unchanged.

**d. Conformance with CPUC Policies and Objectives**

In all areas, the *Bidgely Home Energy Report Program* contract aligned with CPUC Policies and Objectives.

**e. Uniformity of Contract Changes**

Not applicable – SDG&E negotiated only one contract with one bidder.

**4.2 Contract Execution**

As of the end of this reporting period, the contract had not yet been executed. Contract execution is anticipated to occur the last week of October 2022.

**4.3 PRG and IE Feedback to Contracting**

The IE had no feedback specific to contracting with Bidgely. The only “issue” the IE saw was that the negotiations were much slower paced than anticipated with Bidgely often the holdup. SDG&E might have been able to mitigate the delays by showing a sense of urgency towards Bidgely.



After completing its review of the draft final contract, ED Staff reminded SDG&E that Universal Audit Tool (UAT) programs that intend to claim savings should complete early M&V per the UAT

workpaper. ED Staff also encourage SDG&E to reflect this work in the program contract and/or program IP.

## 5. Assessment of Final Contract

Bidgely's final contract varies little from its original proposal. The IE is satisfied that SDG&E and Bidgely have negotiated a fair contract with Bidgely for its *Bidgely Home Energy Report Program* that the IE believes will provide the best overall value for the California's ratepayers.

### 5.1 Bid Selection Response to Portfolio Needs

SDG&E's selection of Bidgely's *Bidgely Home Energy Report Program* is consistent with its portfolio needs as identified in its Business Plan, its Solicitation Plan, and its ABAL filings. In particular, the *Bidgely Home Energy Report Program* is designed to meet SDG&E's residential sector goal of increasing EE savings in the residential sector through improved customer experience by providing engaging self-service tools and data-driven insights. The program accomplishes this by empowering customers to better manage their energy use providing them with personalized, timely, insightful, and dynamic alerts to maximize savings.

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

#### a. Introduction

SDG&E selected Bidgely's *Bidgely Home Energy Report Program* for contracting after a long, intensive, and comprehensive solicitation process. To make its decision, SDG&E considered all aspects of each bidders' submittals.

[REDACTED] The IE is satisfied with the process taken by SDG&E to select the *Bidgely Home Energy Report Program* and feels that the *Bidgely Home Energy Report Program*, in addition to being consistent with the goals stated in SDG&E's Business Plan, provides the best overall value to ratepayers.

#### b. Program Description

The *Bidgely Home Energy Report Program* is a next-generation Home Energy Report program that encourages behavioral changes by SDG&E residential customers leading to energy savings. The reports, which Bidgely will offer in both paper and digital formats, provide personalized, timely, insightful, and dynamic alerts to maximize savings. The *Bidgely Home Energy Report Program* is a resource acquisition program that will measure energy savings from engagements through a RCT experimental design.

The *Bidgely Home Energy Report Program* will provide the following components:



1. Opt-out paper & digital HERs – 4 paper reports annually & 2+ monthly digital alerts
2. Opt-out digital BDR alerts – 3x/event (pre-, start & post-)
3. Web portal with lazy login forward from dynamic emails
4. Online home survey tool (audit tool)
5. Call center Customer Service Representatives (CSRs) utility console (for co-browsing and engagement stats)
6. Automated reporting of KPIs (including mid-program M&V)

The contract period begins late 2022 and remains in effect through March 31, 2026, as may be extended in accordance with the terms of the agreement.

**c. Budget and Cost Efficiency**

The total overall program budget of \$15,508,476 over three-plus years for the *Bidgely Home Energy Report Program* is within the solicitation’s three-year target budget of \$16.5 million. Table 5.1 breaks down the *Bidgely Home Energy Report Program* budget by category by year.

Table 5.1: Bidgely Home Energy Report Program Budget Breakdown by Category					
Costs	2022	2023	2024	2025	Totals
Administration	\$0	\$414,774	\$408,074	\$381,715	\$1,204,562
Marketing/Outreach	\$0	\$0	\$0	\$0	\$0
Direct Implementation	\$100,000	\$3,732,962	\$3,672,664	\$3,435,431	\$10,941,056
Incentive/Rebate	\$0	\$0	\$0	\$0	\$0
BDR	\$100,000	\$1,000,000	\$1,088,547	\$1,174,310	\$3,362,858
Totals	\$200,000	\$5,147,736	\$5,169,285	\$4,991,456	\$15,508,476

**d. Expected Program Performance**

The *Bidgely Home Energy Report Program* is expected to reduce energy consumption by SDG&E’s residential customers by more than 158 GWh and over 258,723 dekatherms by the end of 2025. The Total System Benefits amount to nearly \$32 million through 2025. Table 5.2 shows the expected annual performance for the *Bidgely Home Energy Report Program*.

Table 5.2: Bidgely Home Energy Report Program Expected Performance				
Impact	2023	2024	2025	Totals
Net Energy Savings (kWh)	49,785,387	55,552,103	53,052,259	158,389,749
Net Demand Reduction (kW)	11,025	12,302	11,749	35,076
Net Natural Gas Savings (Therms)	787,061	911,833	888,333	2,587,227
TSB	\$12,526,560	\$10,160,108	\$9,277,602	\$31,964,270

**e. Cost-Effectiveness**

The forecasted three-year TRC of the *Bidgely Home Energy Report Program* is 2.72, as shown in Table 5.3.

Table 5.3: Bidgely Home Energy Report Program Cost-Effectiveness				
Impact	2023	2024	2025	Overall
Forecasted TRC	3.33	2.39	2.44	2.72

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

The *Bidgely Home Energy Report Program* forms an integral part of Bidgely’s holistic approach to demand-side management (DSM). Far from being siloed from other demand-side resources & offerings, the suite of paper and digital HERs offered through the *Bidgely Home Energy Report Program* supports the inclusion of dynamic content and entire customer journeys related to peak load shifting, rate education, and optimization, EV owners and prospective buyers, utility programs, and rebates, and more. With the addition of BDR to the program, Bidgely has advanced the integration of DSM strategies for SDG&E’s residential customers.

Since communications through the *Bidgely Home Energy Report Program* includes personalized recommendations in the context of hyper-personalized insights, the program offers SDG&E the opportunity to create fresh marketing and outreach efficiencies for its EE programs. By significantly reducing the need for paid mass marketing services such as paper leaflets, social media ads, and generic email campaigns, SDG&E avoids the additional expense and streamlines messaging across all products, services, and programs.

Bidgely’s digital communications seamlessly link to the relevant utility or third-party pages (as applicable), through which customers can enroll in the recommended program or purchase the recommended product or sign up for a utility-backed contractor or trade ally.

## g. DACs and HTR Customers

The *Bidgely Home Energy Report Program* is tailored to meet the unique needs and barriers specific to underrepresented populations such as HTR customers and residents of DACs. Bidgely's goals for the *Bidgely Home Energy Report Program* is to build trust and drive savings by increasing participation and representation of those communities in SDG&E's EE Programs and support a more inclusive offering. Bidgely's plan for accomplishing this includes:

- **The identification of low- and medium-income (LMI) and HTR customers:** Bidgely's solution can include multiple data inputs like census data, specific zip codes, utility internal computer information systems data, and any special rate plan enrollments.
- **Inclusivity and adaptability:** Bidgely's hyper-personalization means their message is tailored to each customer's unique needs and challenges. Bidgely's customer solutions include personalized messages for LMI customers with no- or low-cost tips and special utility promotions for LMI to ensure the *Bidgely Home Energy Report Program* is as inclusive as possible.
- **Multiple languages:** All customer-facing functionalities are available in non-English languages, including Spanish, to increase understanding of and participation in EE programs.
- **LMI treatment wave:** One approach Bidgely will use ensure these goals are met is to include a specific treatment wave in its RCT Experimental Design for those under-represented populations.

## h. Disadvantaged Worker Policy

Bidgely provides equal employment opportunities to all employees and applicants in all company facilities without regard to race (including hair texture and hairstyles), color, religious creed, sex, national origin, ancestry, citizenship status, pregnancy, childbirth, (or related medical conditions, including, but not limited to lactation), physical disability, mental and/or intellectual disability, age, military status or status as a Vietnam-era or special disabled veteran, marital status, registered domestic partner or civil union status, gender (including sex stereotyping and gender identity or expression), medical condition (including, but not limited to, cancer-related or HIV/AIDS-related), genetic information, or sexual orientation per applicable federal, state and local laws. This policy applies to all terms and conditions of employment, including, but not limited to, hiring, placement, promotion, termination, layoff, recall, transfer, leaves of absence, compensation, and training.

The outcomes of the *Bidgely Home Energy Report Program* are not limited to the behavioral realignment of customers to increase EE, but also accelerating the adoption of other direct measures and programs that promote job access and opportunity for SDG&E's stakeholders, including many disadvantaged agencies and workers. By increasing knowledge of and engagement with energy through Bidgely's personalized energy education and outreach, SDG&E's customers will propagate further benefits to those vendors that SDG&E prioritizes and contracts with.

## **i. Workforce Standards Policy**

The *Bidgely Home Energy Report Program* does not include any installation, modification, or maintenance of HVAC measures or installation of lighting control measures in non-residential settings. Therefore, the Workforce Standards and Quality Installation Procedures contained within the Required Modifiable Contract Terms and Conditions (Decision 18-10-008, Attachment B) do not apply. For this reason, neither SDG&E nor Bidgely modified the Workforce Standards and Quality Installation Procedures in Schedule A1.

## **j. M&V Plan**

Bidgely developed Attachment 13 (Measurement & Verification Plan) to Schedule B (Scope Work) that describes its approach to measuring energy savings resulting from implementation of the *Bidgely Home Energy Report Program* through an RCT Experimental Design. Bidgely plans to work with SDG&E to align on the optimal program design (where applicable) and methodology for measuring savings. Bidgely's measurement methodology aligns with that outlined in CPUC Approved Measure Package (SWWB004-02) where Bidgely has sufficient data available. This will be specified in Bidgely's final IP.

Bidgely's RCT approach randomly assigns customers with similar characteristics (e.g., high consumption households) to treatment or control groups and then measures savings by comparing the energy consumption of the treatment group to the control group over time. This is the industry standard for measuring behavioral energy savings, as outlined by the Department of Energy and the National Renewable Energy Laboratory in the Uniform Methods Project. The savings estimates developed for this project are based on Bidgely's experience delivering similar programs around the country and informed by historic program results, as well as industry averages and results from other comparative programs not delivered by Bidgely.

## **k. Implementer Compensation & Key Performance Indicators**

Tables 5.4 and 5.5 identify the *Bidgely Home Energy Report Program* KPIs for program year 2023 and years 2024-2025, respectively. These KPIs will be the primary means of assessing the Bidgely's performance on an ongoing basis with tracking of some KPIs on a semi-monthly basis, but development of an Overall KPI score (sum of the products of the individual KPIs scores and their weights) on a quarterly basis.

In general, the individual KPIs in the two tables below will be based on a 0–4 scale:

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

The KPIs are reasonable and were negotiated with minimal changes by either SDG&E or Bidgely and appear to be consistent with KPIs employed in other third-party EE contracts.

Table 5.4: Bidgely Home Energy Report Program KPIs (2023)		
KPI Definition	Category	Weight
kWh savings (net 1 <sup>st</sup> Year lifecycle savings)	Program Performance	20%
kW savings (net 1 <sup>st</sup> Year lifecycle savings)	Program Performance	15%
Therm savings (net 1 <sup>st</sup> Year lifecycle savings)	Program Performance	20%
BDR participants	Program Performance	10%
Reporting accuracy	Program Compliance	10%
Digital HER open rate	Marketing	15%
Percentage of HER receiving “Like” vs “Dislike” votes	Customer Satisfaction	10%

Table 5.5: Bidgely Home Energy Report Program KPIs (2024-2025)		
KPI Definition	Category	Weight
Percentage of total TSB dollar value achieved	TSB	55%
BDR participants	Program Performance	10%
Reporting accuracy	Program Compliance	10%
Digital HER open rate	Marketing	15%
Percentage of HER receiving “Like” vs “Dislike” votes	Customer Satisfaction	10%





Table 5.6: Bidgely Home Energy Report Program TRC Goals			
Value	2023	2024	2025
TRC Goals	3.33	2.39	2.44
Forecasted TRC	3.02	2.49	2.43

**I. Innovation**

The *Bidgely Home Energy Report Program* evolved to take advantage of the AMI meter data to deliver data-driven hyper-personalized energy insights. Key innovative aspects of the *Bidgely Home Energy Report Program* solution include:

1. **Bill Itemization:** At the heart of the *Bidgely Home Energy Report Program* lies unique expertise in appliance itemization. Bidgely is built on the foundation of Artificial Intelligence (AI) with 17+ patents. Bidgely started this itemization technology based on AMI and non-AMI data with learnings from Home Area Network (HAN) data in 2011.
2. **Similar Home Comparisons at the Appliance Level:** Bidgely’s analytics result in smarter, more relevant Similar Home Comparisons, down to the appliance level. Other vendors are limited to showing trends at a whole-home level, leaving customers to guess how much their cooling, heating, or EV charging actually impacted their costs.
3. **Explainable AI:** Bidgely’s “Explainable AI” allows users to understand why specific programs and tips are relevant to them in a quantified way.
4. **Smarter Treatment Group Selection:** Knowing which customers are saving the most allows Bidgely to select the treatment group customers to maximize savings from each home. Analyzing multiple cohorts at multiple utilities revealed that it is not the homes with the highest overall consumption, rather homes with the highest HVAC consumption, that save the most.
5. **Dynamic Similar Home Comparison for Higher Customer Satisfaction Score (CSAT):** When taking over incumbent programs (as will be the case for the *Bidgely Home Energy Report Program*), Bidgely’s utility partners often share that they have previously received many customer complaints regarding inaccurate comparisons

(different size homes, homes with different appliances, etc.). Bidgely has expanded clustering techniques to use a dynamic machine learning-based approach to include many factors, which results in comparing customers to more appropriate similar homes, leading to increased CSAT (due to reduced number of complaints), while achieving energy savings in parallel.

**Measurable Peak Load Shift:** Homes that use HVAC during peak hours will see personalized messaging with a heat map showing when they are using their large appliances, not generic peak vs. off-peak usage bars, so they are empowered to take meaningful actions to shift usage to off-peak hours. This results in reducing peak usage of those appliances.

## 6. Overall Assessment of Solicitation

While SDG&E's contract with Bidgely for the *Bidgely Home Energy Report Program* was finalized, it had not been executed as of the end of this reporting period. Therefore, a future Semi-Annual Report will address the overall assessment of this solicitation.

## 7. Implementation Plan Assessment

This stage of the SDG&E Local Behavioral solicitation has not yet occurred; future Semi-Annual Reports will address this topic.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the  
**Local Industrial Sector Solicitation**

Reporting Period: April 2022 through September 2022

*Prepared by:*  
THE MENDOTA GROUP



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



# Local Industrial Sector

## 1. Solicitation Overview

### 1.1 Overview

This Report covers the activities associated with the Local Industrial solicitation for the period from April 2022 through September 2022. During the period covered by this Report, SDG&E completed contract negotiations with the bidder selected to run the combined Local Industrial / Local Industrial-Port Tenants program. Unless specifically mentioned, all solicitation references in this Report relate to the contracting Stage. It should be noted that, although SDG&E ran its Industrial and Industrial-Port Tenants solicitations at the same time, using similar template documents and processes, the Company selected one bidder to run both programs, and decided to combine the two scopes into a single contract. Therefore, the contracting portion of this document is identical for both the Local Industrial and Local Industrial-Port Tenants reports. In addition, as IEs were drafting this Semi-Annual Report (after the period covered by the Report), the CPUC's Energy Division was reviewing the Advice Letter filing for this contract. This review could result in contract changes that will necessitate updates to contract summary information contained in this section. Any such changes will be addressed in the next Semi-Annual Report.

#### a. Scope

The Local Industrial Sector solicitation is seeking comprehensive and innovative EE resource program(s) that are applicable to the Company's Industrial customer facilities, excluding the customers that are currently being served by The Port of San Diego. The majority of these Non-Port Industrial customers fall into the following five main segments:

- Sand, Gravel & Contractors—Industry contractors and construction (plumbing, electrical, heating, A/C, special trades, roofing, etc.), natural gas extractions, landscape, and masonry.
- General Manufacturing—Commercial bakeries and breweries, machine shops, fabrication, textile, and woodworking manufacturing.
- Large Manufacturing—Aircraft, engine, bicycle, turbine, A/C, and commercial refrigeration manufacturing.
- Electronics/Telecommunications—Manufacturers of communications, audio/visual, TV/Radio, computer and circuit assembly, and other forms of electronic equipment.
- Biotech, Laboratories, and Research—Pharmaceutical, biological, medicinal, and botanical manufacturing.

SDG&E concurrently issued a solicitation targeted at non-Port Industrial customers (this solicitation) and a solicitation targeted at customers served by The Port of San Diego. SDG&E issued separate solicitations because of the unique nature of the Port’s customers and the Company’s belief that the two programs may require different program designs to best achieve success. Bidders were permitted to propose programs to serve both sets of customers, though each abstract was evaluated on a stand-alone basis. SDG&E requested that bidders not propose “package deals” that offer lower costs if both bidder proposals were selected. However, if SDG&E does ultimately opt to select a single bidder to implement both programs, they will request, in contract negotiations, ways that the bidder could reduce costs for each program due to operational synergies.

**b. Objectives**

The objective of this Solicitation is to select innovative third-party resource EE program(s) that reliably capture and document cost-effective energy savings applicable to Company’s Industrial customer facilities and provide SDG&E’s Industrial Sector solutions to address the highly complex systems which exist within this heterogeneous customer group. Cost-effectiveness is an important element of all programs in the California IOU portfolios. The proposed Program should contribute to a cost-effective portfolio and support the Company in achieving related CPUC-adopted portfolio goals and sector metrics.

**1.2 Timing**

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

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFA Stage		
Solicitation Launch	June 18, 2021	14 weeks
Bidders’ Conference	June 28, 2021	
Offer Submittal Deadline	July 22, 2021	
RFA Shortlist to PRG	September 14, 2021	
Shortlisting Notification	September 21, 2021	
RFP Stage		
Solicitation Launch	November 8, 2021	20 weeks
Bidders’ Conference	November 30, 2021	

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
Offer Submittal Deadline	January 7, 2022	
Interviews	March 3 – March 4, 2022	
RFP Shortlist to PRG	March 18, 2022	
Shortlisting Notification	March 30, 2022	
Selections & Contracting Stage		
Contracting and Negotiations Period	March 30 – July 19, 2022	22 weeks
Contracts Presented to PRG	July 27, 2022	
Contract Execution	August 31, 2022	

### 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 Industrial solicitation.

Table 1.2: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
General			
Reducing solicitation timelines	SDG&E can further reduce its overall solicitation timeline and ensure consistency between RFA and RFP by developing documents for each stage in parallel.	We support the idea of beginning development of RFP in parallel with the RFA to both reduce the timing gap that emerges between RFA and RFP and to help ensure consistency/coverage between the two stages.	SDG&E is implementing this recommendation in late 2022 solicitations.
RFA Stage			
Refinements to RFA Materials	RFA solicitation documents/scoring rubric generally worked well. The limited number of bidder questions (11) and shorter bid documents (~24 pages)	Recommend that SDG&E continue to refine its RFA and scorecard to draw clear distinctions between bids (discrete questions and clear	SDG&E has continued to evolve its RFA documents to both reduce the number of questions and ensure that information requested

Table 1.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
	resulted in both lower burden on bidders and an efficient review process	focus on salient aspects of solicitation’s objectives).	helps draw clear distinctions between bids.
RFA Savings Targets	For Resource Acquisition programs, SDG&E includes in its RFA target savings values for the program.	We do not believe SDG&E should provide target savings values as bidders will generally provide proposals that match these target values. This doesn’t allow for distinction between bids.	SDG&E adopted this recommendation.
Strategic Energy Management (SEM)	SDG&E’s Business Plan emphasizes the important role that should play in its industrial programs.	The RFA should make clear that SEM is a viable approach for bidder proposals and provide bidders the latest CPUC guidance related to SEM.	SDG&E agreed and incorporated language about SEM in its RFA and called attention to it in its Bidders Conference.
RFP Stage			
Using a Word template for RFP responses	SDG&E previously asked Bidders to submit proposal in Excel format, for both narrative and quantitative information. With its Local Agriculture solicitation, the utility changed this allow bidders to submit most narrative information in Word; Excel is used primarily for quantitative information.	We recommend that SDG&E continue to put more information into its Word form, such as Experience, References and Staffing Plan. In general, we think items that have a lot of words, whether or not they can be put into tables, are best provided in Word format as it makes it easier for Bidders to input and for reviewers to evaluate.	SDG&E believes this information contains enough quantifiable information to still remain in Excel form.

Table 1.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
Interview Questions	It is important that interview questions align with specific aspects of the scorecard to facilitate post-interview adjustments to scores.	We recommend that SDG&E concertededly seek to align questions with specific scored items and that scorers should clearly describe in calibration their reasoning for adjusting scores.	SDG&E has adopted this recommendation.
Contracting			
Lengthy Contracting Process	A lengthy contracting process delays program implementation and places burdens on all parties involved (IOU, 3P, IE).	SDG&E should work with its IE pool to develop creative ways to expedite the contracting process without sacrificing the fairness, transparency, and quality of outcomes. Some suggestions include establishing with the implementer deadlines for finalizing documents, prioritizing and incorporating earlier in the process discussions about elements that can slow the process (compensation, technical aspects, etc.), being clear with 3Ps about the utility’s contracting priorities and	SDG&E has begun these discussions with IEs.

Table 1.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
		allowing the third-party to do the same.	
KPIs	The purpose of KPIs is to help ensure that the program’s performance meets expectations. Their value to the program during implementation depends on thoughtful consideration during contracting.	SDG&E should give due consideration during contracting to the important role that KPIs play in program implementation and ensure that KPIs are both discrete and limited in number. Examples of KPIs that IE considers duplicative are those associated with savings or cost-effectiveness targets if compensation already includes holdbacks tied to these metrics.	SDG&E refined and sought to limit the number of KPIs for this program; however, the Company has sought to standardize certain of its KPIs (such as savings and cost-effectiveness) and is reluctant to change its overall approach.
Preferred Approach to Compensation	SDG&E has a preferred approach to compensation for Resource Acquisition programs that incorporates performance-based features (pay for savings) and “holdbacks” associated with meeting other goals (cost effectiveness, KPIs). They do not deviate substantially from this approach in contract negotiations, which can be particularly problematic for smaller companies with limited access to capital.	SDG&E should be very clear in solicitation documents that it will introduce in contract negotiations its preferred approach, should request detail regarding bidders’ proposed approach to compensation in RFA/RFP documents, and should give compensation a significant weight in its scorecards to provide advantages to bidders who propose compensation approaches that more closely align with the preferred approach. Alternatively, SDG&E should modify its contracting process to take the Bidder’s approach to compensation as the starting point for contract negotiations and not seek to adapt bidders’ proposed approaches to its own design.	SDG&E has not adopted this recommendation.

## **2. RFA Bidder Response and Selections**

The IE reported the RFA stage of the solicitation in the April 2021 through September 2021 Semi-Annual Report.

## **3. RFP Bidder Response and Selections**

### **3.1 RFP Development**

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report. *See also Key Issues and Observations table above for observations pertaining to this stage.*

### **3.2 RFP Bidders' Conference**

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report

### **3.3 RFP Bidders' Response**

The IE reported the RFP bidders' response in the October 2022 through March 2022 Semi-Annual Report.

### **3.4 Proposal Selection Process**

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

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report.

#### **b. Proposal Scoring Rubric Design**

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report.

#### **c. Proposal Evaluation Team Profile**

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report.

#### **d. Evaluation Processes and Scoring Calibration**

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report.

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

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

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report.

#### **b. Shortlist and Final Selections**

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report.

## **4. Contracting Process**

### **4.1 Contract Negotiations**

Before the start of negotiations, SDG&E decided to combine Cascade’s Industrial and Industrial – Port Tenants proposals into a single Industrial contract. The Company believed that combining the contracts would enable economies of scale, simplify contracting and implementation and improve the overall offering. We agreed with this approach, noting that, initially, we recommended that SDG&E consider combining the two solicitations into a single solicitation. At the time, SDG&E felt strongly that the scopes were sufficiently different to warrant two solicitations. SDG&E also decided to extend the contract term from 3 years to 4 years, given the length of time complex industrial projects can take to implement. We also supported this change as we had recommended during the RFA stage that SDG&E consider extending the contract length from three to five years.

SDG&E developed a contracting strategy document for internal discussions with priority items that they wished to achieve in the final contract and presented a similar version to Cascade which outlined the expected process, the elements of SDG&E’s standard contract, and roles and responsibilities. Contract negotiations with Cascade Energy began on March 30, 2022 (the date of bidder notification).



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

Per the CPUC’s Decision 16-08-019 (Ordering Paragraph 10), a third party is a program is a program that is: “proposed, designed, implemented, and delivered by non-utility personnel”. Decision 16-08-019, though, allows utilities during contract negotiations to “consult and collaborate, using their expertise, on the ultimate program design implemented by the third party.” (CoL 57) The



Decision’s definition of a third party seeks to ensure that third parties (not IOUs) are primarily designing and implementing these programs and attempts to guard against utilities directing program design, exerting undue influence in shaping the final program during contract negotiations, or controlling the program’s implementation. SDG&E’s contract negotiations with Cascade were collaborative and sought to create an ultimate program with a high likelihood for success.

## **b. Fairness of Negotiations**

Negotiations are fair if both sides receive something from the contracting process and one side does not unduly influence the outcome to the detriment of the other party. By this measure, the contract negotiation process was fair. SDG&E’s general approach to contract negotiations (with one major exception) is to take the contents of the bidder’s proposal and incorporate it into contract documents. This approach is both fair to the bidder who advances to contract negotiations and fair to other bidders who were not advanced because the basis on which the selection was made (the bidder’s proposal) is largely maintained. If the bidder or IOU seek to substantially modify the program during contract negotiations, this may not be fair to unsuccessful bidders who were not afforded the opportunity to change their programs (and may have scored better if they were given the chance to change their programs).



## **c. Changes to Contract Terms and Conditions**

The contract’s Terms and Conditions (Ts&Cs) consisted of Additional Terms and Conditions (Corporate Ts&Cs), and the CPUC’s Standard and Modifiable Terms and Conditions. By CPUC decision, IOUs and implementers are not permitted to modify the Standard Terms and Conditions. There were no changes to the Standard Terms and Conditions. The Standard Terms and Conditions also take precedence over the Corporate Ts&Cs.

The CPUC’s Modifiable Terms and Conditions contain both guidance related to items that should be included in the RFP (e.g. “In its Proposal, Bidder will be required to include a table of KPIs, which will be the primary means by which Company will assess Program performance on an ongoing basis”), the contract (e.g. “Implementer shall comply with and timely cooperate with all CPUC directives, activities, and requests regarding the Program and Project evaluation, measurement, and verification”), the eventual IP (e.g. “Implementer agrees to comply, and to require all Implementer Parties to comply, with the Disadvantaged Worker requirements set forth in

the Final IP”), and relevant definitions not included in the Standard Terms (e.g. “small business enterprise”, “disadvantaged worker”, etc.). They can be modified by agreement between the IOU and implementer.

The Terms and Conditions also require that implementers are properly licensed, something that SDG&E checked during contract negotiations. The Company’s Legal department requested that Cascade confirm whether the company is required to obtain and maintain a California State Licensing Board (CSLB) license in order to implement the program. Cascade responded that they are not a licensed contractor in California because their company does not do any construction or building altering and, therefore, does not meet the threshold to obtain a license from either the Contractor or the Engineering boards.

There were limited changes (other than adapting elements to the specific program requirements) to the modifiable contract terms and conditions and no changes to the CPUC’s standard (non-modifiable) terms and conditions. Since SDG&E had also selected Cascade to implement its local Agriculture program and that contract negotiation process was ahead of the industrial contract negotiations, most changes to Corporate Ts&Cs were resolved in the Agriculture program contract negotiations.

**d. Conformance with CPUC Policies and Objectives**

The following table is our compilation of the relevant CPUC policies and objectives applicable to the Cascade SMART program.

Table 4.1: Contract Alignment with CPUC Policies and Objectives		
Item	Covered / Location	Program
Requires Advice Letter filing	Yes.	Budget exceeds \$5 million and 3 years.
Noted no changes to CPUC Standard Contract Terms and Conditions (Ts&Cs)	Schedule A1.	No changes to CPUC Standard Contract Ts&Cs.
Noted the changes to CPUC Modifiable Contract Ts&Cs	Yes. Included in Schedule A1.	SDG&E and Cascade changed the modifiable terms and conditions to match the program's requirements. Changes were reasonable.
Noted the changes to IOU Ts&Cs	Yes.	Few changes. Most changes had been previously negotiated with Cascade as part of its Agriculture program.
Contract is consistent with M&V Plan with NMEC guidelines	Yes	Contract Attachments 6 (Quality Assurance) and 13 (Measurement and Verification) include considerable detail in outlining requirements related to Custom, NMEC and

**Table 4.1: Contract Alignment with CPUC Policies and Objectives**

Item	Covered / Location	Program
		SEM. With respect to SEM, the contract references the need to comply with the latest SEM Guidebooks.
Reasonable number of KPIs	Somewhat.	Has 12 KPIs, which we consider to be excessive, particularly because some of the KPIs are not sufficiently discrete. <i>See Key Issues and Observations section for additional information.</i>
KPIs make sense in terms of what they are measuring, the scale applied to them, and the timeframe on which they are monitored	Yes.	KPIs align with program priorities in terms of ensuring accurate, reliable, and consistent delivery of savings and customer satisfaction.
Contract includes appropriate Performance Issue Remedies	Yes.	The KPIs include a process for addressing the program’s failure to achieve objectives.
Savings and Cost Effectiveness are similar to proposal and appear reasonable	Yes.	Savings and cost effectiveness increased from the individual proposals. Although they did not increase significantly, we view this as acceptable given that SDG&E shifted more of the implementer’s compensation to a performance-based approach.
Compensation structure is clear	Yes.	Compensation structure is fairly straightforward, although holdback provisions combined with the milestone-based approach to savings-related compensation may pose challenges during implementation. This occurs because of the need to carefully track each project’s estimated savings and payments provided to date
Relevant elements of IP clearly documented in contract	Yes/Schedule B – 4.3.4.	SDG&E incorporated into the contract elements that the IE highlighted will be important for the IP (e.g., opportunities for Disadvantaged Workers).
Innovative aspects of program are retained	Yes/Schedule B – 4.4.	SDG&E incorporated into the contract a mechanism to track the Innovative elements and ensure that they are retained during implementation.

Table 4.1: Contract Alignment with CPUC Policies and Objectives		
Item	Covered / Location	Program
If applicable, IDSM components incorporated and are consistent with Proposal	Yes/Attachment 11.	SDG&E and Cascade discussed the EE-DR Integration portion of the contract in some detail to clarify the budgets and deliverables that would be associated with EE-DR.
If applicable from Proposal, program considerations for HTR customers and those in DACs are incorporated and are consistent with Proposal	Yes/Schedule B – 4.4 and Attachment 7 – KPI 11	Although HTR was not considered applicable to the program (definition for businesses focuses on businesses likely smaller than those the program will serve), the program does include references to serving customers in DACs and includes a KPI to track. Cascade estimates that approximately 4 percent of savings will come from DACs.
Contract clearly addresses Disadvantaged Worker Requirements	Yes/Schedule B - 1.1.10 and 4.3.4.	States that Implementer will perform program services as outlined in the Policy and Procedure Manual ... to support continuous growth opportunities for DBEs and Disadvantaged Workers. Should monitor to ensure is in P&PM.
Contractor is DBE or identifies committed DBE spend.	Yes/Schedule D	Cascade is not a DBE. They have committed to DBE spend of approximately 8.3 percent. The DBE subcontractor is providing technical services.
Changes proposed by IOU or Contractor were reasonable and fair	Yes.	As discussed in this report, we believe the changes from both parties resulted in a fair contract.

### e. Innovative Program Features

The contract highlights those programs elements considered innovative and emphasizes that these elements shall be retained throughout the program’s implementation. The innovative elements include:

- Utilizing SEM Light, which is an offering that focuses on small to medium business (SMB) customers that will lower touch, higher volume approach that is more accessible to smaller customers but still follow all California SEM Design and M&V Guides;
- Leveraging site-level NMEC to capture Behavioral, Retro commissioning and Operational (BRO) and small capital project savings;
- Offering energy and water efficiency education and training via self-serve e-Learning

- videos plus support with deemed and custom projects for SMB customers;
- Offering financing to vendors and contractors, including SDG&E's On-Bill Financing, and offers through implementer's financing partners, such as the NEI Fund, and
  - Using Cascade's proprietary energy management software platform, Energy Sensei, to manage project opportunity registers, track savings persistence, and document influence.

## **f. Uniformity of Contract Changes**

Uniformity of contract changes applies to situations where the IOU is simultaneously negotiating with multiple parties during a solicitation. SDG&E only negotiated with Cascade Energy and no other bidders. Therefore, this was not applicable.

### **4.2 Contract Execution**

SDG&E and Cascade Energy executed the contract on August 31, 2022, contingent upon CPUC approval of the Company's Advice Letter (AL). Actual program implementation (Notice to Proceed) begins on the day the CPUC issues its AL Disposition.

### **4.3 PRG and IE Feedback to Contracting**

During the contracting process, SDG&E and the IE maintained a comment tracker to memorialize points of discussion between the IE, the PRG and the utility as related to the contract negotiations. Although IEs have a limited formal role in contracting as dictated by the PRG Solicitation Guidelines (IE is silent during contract meeting between the parties, IE does not engage with the third party, IE regularly reports to the PRG about that primary topics of discussion between parties), the IOU and IE found it useful to document IE and PRG observations both because IE suggestions can prove beneficial to the negotiation process and the IE can elevate issues (such as CPUC priorities as presented in the Modifiable Terms and Conditions) that may otherwise emerge after the contract has been negotiated.<sup>56</sup>

The tracker included approximately 31 comments, all of which were considered resolved. The Public Advocates Office expressed its interest in SDG&E ensuring that the combined contracts would have terms better than the separate Industrial and Industrial – Port Tenants proposals. The contract for the combined program included improvements to savings and cost-effectiveness goals relative to the individual proposals. Energy Division staff sought clarifications related to SEM Light and CPUC guidebooks, distinctions between (non-Limited EE/DR Integration) IDSM and EE-DR Integration, changes to the program's logic model, and adding to the Quality Assurance Plan language that makes clear audits will be comprehensive and support SEM and IDSM efforts. SDG&E and Cascade agreed to modify the contract to clarify these items.

---

<sup>56</sup> The PRG has an opportunity to review the final negotiated contract and provide suggested changes. Major changes at this point in the contracting process can be problematic and extend the negotiation timeframe.

## 5. Assessment of Final Contract

### 5.1 Bid Selection Respond to Portfolio Needs

The selection of Cascade Energy’s SMART Industrials program to serve the Company’s industrial customers is consistent with SDG&E’s portfolio needs as identified in its Business Plan, its Solicitation Plan, and its Biennial Budget Advice Letter (BBAL) filings. Prior to this solicitation, SDG&E served its industrial customers through the Company’s Comprehensive Audit Program (CAP), its Calculated Incentives program (Energy Efficiency Business Incentives or EEBI), its Deemed Incentives program (Energy Efficiency Business Rebates or EEBR), and its Strategic Energy Management program (SEM). The SEM program was the only one of the four dedicated to industrial customers and will be entirely replaced by the new program. The industrial portions of the other programs will also close.

The SMART Industrials program is a comprehensive offering that is intended to serve all companies that SDG&E categorizes as industrial per their North American Industrial Classification System (NAICS) code. Cascade will be expected to coordinate with other programs that may serve the Industrial Sector, including any statewide (SW) programs that use a midstream or upstream delivery channel such as the SW HVAC, SW Lighting, SW Water Heating, and SW Water/Wastewater Pumping programs. The program’s contract prohibits customers from receiving rebates and incentives from more than one program for the same installed units.

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

#### Introduction

We assess best overall value to ratepayers in terms of whether the selected program, when compared to other proposals, will produce the greatest benefit (value) per ratepayer dollar invested. Determining value to ratepayers, though, is highly subjective because there is no agreed-upon definition of “value” other than, for Resource Acquisition programs, the benefits a program is expected to produce relative to its costs (as expressed in the program’s benefit/cost ratio). The program’s benefit/cost ratio, though, is but one of many criteria evaluated in selecting a program. In a sense, the true measure of a program’s likely value relative to its ratepayer investment is how the program scored relative to other programs.

[REDACTED]

[REDACTED]. Selection of Cascade Energy’s SMART Industrials program, therefore, provides the best overall value to ratepayers for the Industrial and Industrial-Port Tenants solicitations.

The analysis that follows does not attempt to directly compare the selected program with other proposals. In our view, if the solicitation process was conducted fairly and consistent with the

scorecard and other selection criteria, the selected program(s) represents the best from the pool of bids. By extension, the selected program would also provide the best overall value to ratepayers.

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

### **Brief Program Description**

Cascade Energy, Inc.'s SMART (Savings, Measurement, Assistance, Rebates, Training) Industrials Program is a Resource Acquisition program that serves non-residential customers defined as Industrial, including Industrial customers served by the Port of San Diego. It will use Custom, Deemed, Site-Level NMEC (both SEM and non-SEM) and financing intervention strategies and include the following primary technology groupings:

- HVAC
- machine drives
- lighting
- process heating
- process refrigeration
- compressed air
- boilers and steam systems
- fuel substitution
- controls

Building on the SEM base in its proposal, the new program will offer Custom solutions to large and small customers, with strategies that seek to engage and activate smaller customers through SEM Light, engineering support, and financing options. Although the proportion of savings from small and large customers is not detailed in the contract, it is anticipated that most savings will come from larger customers. No bidder in either solicitation proposed a program that derived a large proportion of savings from smaller customers. However, the Cascade program includes a clear track for smaller customers, much of which will rely on self-service tools and SDG&E marketing support.

### **Quantitative Program Information**

The following table shows a summary of the quantitative information extracted from the SMART Industrials program contract. To provide context related to whether the program provides value to



ratepayers compared to existing programs serving the Industrial Sector, we provide claims data from SDG&E’s “IND” designated programs for 2021. In reviewing results from 2019-2021, 2021 showed the best results and thus was used for the comparison. To compare with single-year data for Industrial-related program results, the contract data is divided by 4 to annualize the information. The program, technically, includes a fifth year that is for startup. For simplicity and comparison purposes, we assumed a 4-year program.

Table 5.1: Cascade SMART Industrials Program Quantitative Information			
Item	SMART Industrials (Annualized)	SDG&E Industrial-Related Programs (2021) <sup>57</sup>	SMART Industrials (4-Year Program)
Summary Data			
Budget (Contract Average Annual)	\$3,957,939	\$1,608,534	\$15,831,757
Limited EE-DR Integration Budget <sup>58</sup>	\$44,700	-	\$178,800
Electric Savings (Net first-year kWh)	9,703,495	3,456,646	38,813,978
Electric Demand Reductions (kW)	975	458	3,899
Gas Savings (Average Annual - Net first-year therms)	178,513	87,064	714,051
TSB	\$5,400,569	\$2,938,752 <sup>59</sup>	\$21,602,274
Metrics			
TRC Test	1.28	1.24	1.28
Program Administrator Cost (PAC) Test	1.38	1.87	1.38

<sup>57</sup> Includes SDG&E’s SW-IND-Strategic Energy Management (SDGE3227), SW-IND-Customer Services-Audits NonRes (SDGE3229), SW-IND-Calculated Incentives-Calculated (SDGE3231), SW-IND-Deemed Incentives (SDGE3233) programs. SDGE3229 is a non-resource program and does not produce savings. However, it is assumed that this program refers customers to SDG&E’s Industrial programs, where savings are captured.

<sup>58</sup> This is the EE portion of the EE-DR Integration budget. Total EE-DR Integration budget is \$298,000 with \$119,200 funded from SDG&E’s DR budget.

<sup>59</sup> In 2021, utilities did not report TSB. We used “Claim Benefits” (avoided costs) as a proxy for TSB.



Item	SMART Industrials (Annualized)	SDG&E Industrial-Related Programs (2021) <sup>57</sup>	SMART Industrials (4-Year Program)
Simple Acquisition Cost (\$/kWh) <sup>60</sup>	\$0.41	\$0.47	\$0.41
Simple Acquisition Cost (\$/therm)	\$22.17	\$18.48	\$22.17

Evidenced by Table 5.2, the SMART Industrial program’s goals, if achieved, will provide improvements over SDG&E’s current industrial sector programs. The SMART Industrials program has higher annualized electric energy and demand and gas savings, Total System Benefit, and cost effectiveness. The only metrics for which the program has slightly lower goals than SDG&E’s 2021 programs are its therms simple acquisition costs and PAC Test.

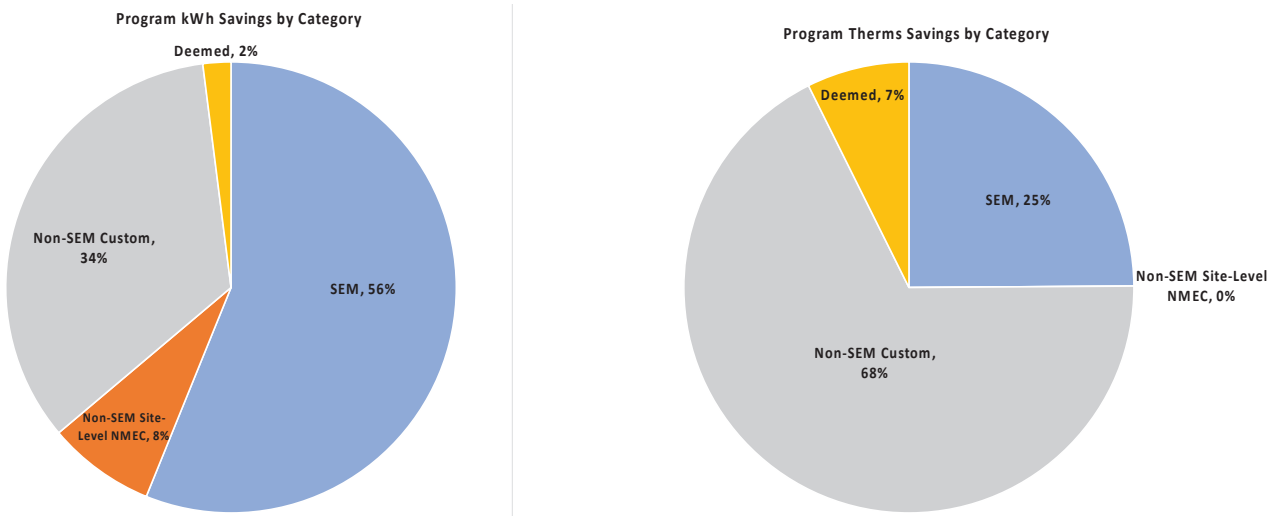
### Measurement and Verification

The program’s contract includes as Attachment 13 to the Scope of Work a Measurement and Verification Plan. The M&V Plan includes details related to protocols Cascade must follow in estimating and claiming savings associated with Deemed, Custom and NMEC platforms. For custom measures and projects, project-level M&V plans must adhere to IPMVP, CPUC, and SDG&E guidelines. The program will use site-level NMEC and comply with the latest CPUC NMEC Rulebook. SEM projects must follow the CPUC’s latest SEM Design and M&V Guides. The graph below shows the percentage of savings the program derives from the Deemed, Custom, and NMEC platforms.

<sup>60</sup> Program budget divided by total (first year) program savings.

As shown in Figure 5.1, the program will derive most of its savings from Custom and NMEC savings platforms.

Figure 5.1 – SMART Industrials Percentages by Savings Platform



According to the CPUC’s *Rulebook for Programs and Projects Based on Normalized Metered Energy Consumption v2.0* (NMEC Rulebook), NMEC is not allowed for industrial operations and maintenance (O&M) or behavior, retro commissioning, and operations (BROs)-type projects except as a component of Commission defined Strategic Energy Management Programs.<sup>61</sup> However, (non-SEM) site-level NMEC is permissible for projects in industrial buildings to the extent they are similar to projects that would be carried out in a commercial building. SDG&E confirmed during contract negotiations with Cascade that both its SEM and site-level NMEC projects conformed to these requirements. The program is using the assumptions afforded SEM programs, namely a 1.0 net-to-gross ratio and a 5-year effective useful life (EUL) for SEM measures.

## Compensation



<sup>61</sup> NMEC Rulebook, p. 8.



## **Supports portfolio and applicable sector metrics achievements**

The Program's KPIs support SDG&E's portfolio and sector metrics. Per CPUC Decision 18-05-041, all utilities are required to track and report portfolio and sector-level metrics to help ensure programs are meeting Business Plan objectives. Decision 18-10-008 required that third-party contracts include KPIs that assess third-party program performance on an ongoing basis. Since, by the end of 2022, third party programs budgets will be, at a minimum, 60 percent of total IOU

budgets, it is important that third-party contracts and associated KPIs support utility Business Plan metrics.

Table 5.3 shows the contract’s KPIs. The table includes an indicator to show whether the metric is also either a portfolio-level or Industrial Sector metric per SDG&E’s 2022 Biennial Budget Advice Letter filing (specifically Tab 17 – BP Metrics of the Budget Filing Appendix v3 file).

We believe the contract’s KPIs align with program priorities in terms of ensuring accurate, reliable, and consistent delivery of savings, customer satisfaction and other criteria such as participation from Port Tenant customers and customers in DACs. The contract’s Attachment 7 provides the weightings associated with each metric and details regarding targets, how and when KPIs are measured, and remedies for failure to achieve.

Table 5.3: SMART Industrials Contract KPIs			
KPI Category	Program KPI	Sector Metric	Portfolio Metric
Program Performance: kWh Savings (net 1st Year savings) <b>(2023)</b>	Year to date, percent achieved of net 1st Year kWh savings required under the Agreement based on planned savings acquisition rate for the reporting year	x	x
Program Performance: kW Savings (net 1st Year savings) <b>(2023)</b>	Year to date, percent achieved of net 1st Year kW savings required under the Agreement based on planned savings acquisition rate for the reporting year	x	x
Program Performance: Therm Savings (net 1st Year savings) <b>(2023)</b>	Year to date, percent achieved of net 1st Year Therm savings required under the Agreement based on planned savings acquisition rate for the reporting year	x	x
TSB: Expressed in dollar terms of the lifecycle energy, capacity & GHG benefits <b>(2024-2026)</b>	To date, percent achieved of total TSB dollar value under the Agreement based on planned TSB acquisition rate for the reporting year		
Program Performance: TRC Ratio	Program’s TRC ratio based on measure installations and compensation to date, including any accruals that have posted (at 100 percent compensation rate <sup>62</sup> )	x	x

<sup>62</sup> As indicated in contract: “Solely for the purpose of calculating whether Implementer has met a [REDACTED]”

Table 5.3: SMART Industrials Contract KPIs			
KPI Category	Program KPI	Sector Metric	Portfolio Metric
Port Tenant Penetration	Year to date, percent of achieved net 1st Year energy savings for tenants of the Port of San Diego (average of kWh, kW, and Therm percentages)		
Compliance/Program Performance (Energy Savings and Budgets): Reporting Accuracy	Average percent variance, year to date, between the forecasted energy savings and budget figures at the start of the monthly reporting period and actual figures invoiced the following month		
Compliance/Program Performance: Program Inspections	Year to date, percent of COMPANY inspections that pass on the first attempt		
Marketing: Enrollment of Customers	# of customers year to date who take action as defined in Attachment 5 Marketing Plan divided by # of customers forecasted per the Marketing Plan.		
Customer Satisfaction: Survey Scoring	Average score of customer satisfaction surveys and SEM workshop evaluations administered by Contractor year to date (Assuming a 5-point scale where 5 is highly satisfied). Survey shall include a question that assesses if the customer's understanding of IDSM, DR, and water efficiency opportunities have increased after participation in SMART Industrials.		
Customer Satisfaction: Complaints Received	# of complaints received year to date divided by # of customers participating in Program year to date		
Compliance: HTR/DAC Penetration:	Year to date, percent of achieved energy savings in HTR and/or DAC segments (average of kWh, kW, Therm percentages)		x
Compliance: DBE	Year to date, DBE spending as percent of total DBE spend commitment, split on an even pro rata basis by quarter		

## Program Deliverables

In addition to energy savings goals, the program includes a variety of deliverables designed to serve the needs of SDG&E's diverse Industrial Sector. The paragraphs below highlight some of the notable deliverables.

### *Small-Medium Businesses (SMBs)*

The program includes features targeted at SMB customers, in particular an SEM-Light offering that is tailored to needs of smaller customers. The contract uses the term SEM-Light to distinguish from SEM designed for larger customers; however, Cascade fully intends for these projects to follow the California SEM Design and M&V Guides. It is termed "light" because it is envisioned to be a lower touch, higher-volume version of SEM. The program will also offer SMBs energy and water efficiency education and training via self-serve e-Learning videos plus support with deemed and custom projects.

### *Limited EE-DR Integration (IDSMS)*

The program retains a Limited EE-DR Integration component and includes an attachment (Attachment 11) that specifies funding amounts and deliverables associated with Limited EE-DR Integration. SDG&E also added to the program's customer satisfaction KPI an element that asks participants about their awareness of IDSMS offerings. The feature will include training and awareness raising on EE + DR integration and EE + load-shifting opportunities and helping customers identify these opportunities at their facilities. The total EE-DR Integration budget is approx. \$298,000 with \$119,200 coming from the DR budget and the remaining from the EE budget.

### *Support Services*

Based on SDG&E's decision to revise its Support Services offering, which moved aspects of Account Management (AE) support from Additional Services into its Base offering, Cascade removed its requested budget for Additional Services.<sup>63</sup> Base Services are provided at no additional cost to contractors while Additional Services (enhanced AE support) are charged at \$125/hour.

At the IE's request, SDG&E included a new Attachment 14 which details the Company's Base and Additional Support Service offerings. Although Cascade is not currently using the Additional Services, it is important to clearly document what SDG&E will be providing as part of Base services

---

<sup>63</sup> Support Services refers to specific ways that the utility supports third-party program implementation, to include Account Management support for projects. CPUC Decision 18-05-041, CoL 42-43 and Ordering Paragraphs 16-17 require that utilities offer implementers use of account representatives and track the number and proportion of implementers that forego the option.

and facilitate the possible inclusion of Additional Services at a later time if both parties agree that they would add value.

#### *Prescriptive Workforce Standards, Disadvantaged Worker Applicability*

In its proposal, Cascade indicated that the company didn't believe the prescriptive workforce standards from Decision 18-10-008 applied to them because their staff would not be doing measure installations.<sup>64</sup> Decision 18-10-008 requires that 3Ps with lighting controls-related and HVAC incentives over a certain dollar amount (Lighting controls project incentive > \$2,000, HVAC incentive > \$3,000) comply with specific workforce standards. The SMART Industrials program includes both lighting controls and HVAC measures which may trigger HVAC standards. SDG&E included language in Quality Assurance Plan and in the Scope to make this clear.

Decision 18-10-008's Modifiable Terms specify that Bidder proposals "shall include a section describing the manner by which their proposed program will provide Disadvantaged Workers with improved access to career opportunities in the EE industry for programs that directly involve the installation, modification, repair, or maintenance of EE equipment." Cascade indicated that they would not be doing any direct installations and, therefore, did not believe this requirement applied. SDG&E disagreed and included language in Scope of Work that requires that this be included in the program's Policy and Procedure Manual.

#### *HTR/DACs*

Although requirements to serve HTR customers were not considered as applicable to the program (the business portion of the HTR definition focuses on businesses likely smaller than those the program will serve), the program does include references to serving customers in DACs and includes a KPI to track. Cascade estimates that approximately 4 percent of savings will come from customers in DACs. The contract specifies that Cascade will use targeted marketing strategies to increase participation and capture savings from HTR customers and customers in DACs.

#### *Port Tenants*

Considering that the solicitation process included separate solicitations for Industrial and Industrial – Port Tenant customers, it was important that the contract reflect the important role that Port Tenant customers will play in the combined program. The contract's Scope of Work includes a section dedicated to Port of San Diego-specific activities and a KPI to track Cascade's performance in serving these customers.

---

<sup>64</sup> Decision language refers to "all projects involving installation, modification, or maintenance of HVAC measures in non-residential buildings ..." (Ordering Paragraph 1).

## 6. Overall Assessment of Solicitation

Overall, we believe that SDG&E’s Local Industrial and Industrial – Port Tenants solicitations were fair, transparent, unbiased, and consistent with CPUC policy. SDG&E’s Contract Management Office conscientiously sought to integrate process improvements throughout the solicitation process and was very open to IE and PRG suggestions. The solicitations resulted in the selection of an implementer that is capable of serving SDG&E’s diverse industrial customer base, including industrial customers within the Port of San Diego. The program will leverage Strategic Energy Management Guidebooks to serve both large and small customers but will also include Custom offerings that address the unique nature of industrial customer businesses.

### Effective Solicitation Practices

SDG&E utilized a number of “Effective Solicitation Practices”, a term that the California EE IEs use to describe solicitation practices that helped make the process more efficient, fair, and transparent. In some cases, these observed practices can benefit all California IOU third-party solicitations. In most cases though, listed practices were effective in context, given the specific circumstances associated with the solicitation. The list of the practices the IE identified during this solicitation follows.

Table 6.1: SDG&E Effective Solicitation Practices		
Stage	Practice	Comment
All	<b>Continuous Improvement</b> - SDG&E is dedicated to continuous improvement and willingness to engage IEs in this process.	Continually improves solicitation process
	<b>Collaboration</b> – SDG&E’s CMO, program staffs and supply management actively engage the IEs in solicitation development and provide quick/thorough responses to issues raised.	Helps ensures that solicitation process produces best outcomes.
RFA	<b>Weekly Check-Ins</b> – CMO holds weekly check-ins with scoring Team during Scoring process.	Improves scoring quality/calibration process.
	<b>Simplified RFA</b> – RFA limits the information requested of bidders to only most salient.	Reduces burdens on Bidders and Scoring Team.
	<b>Includes IE in presentation to management</b> – IE is involved presentations regarding Bidders selected to advance to next stage.	Improves solicitation process transparency.



Table 6.1: SDG&E Effective Solicitation Practices		
Stage	Practice	Comment
RFP	<b>M&amp;V Team develops a detailed spreadsheet for each Bidder</b> – Included is information about measures, sources of savings, proposed goals and budgets, and any issues of concern.	Facilitates robust discussion of technical aspects of Bidder proposals.
Contracting	<b>CMO develops a Contract Development Kick-Off Strategy Document</b> – Document outlines: negotiation priorities, the approach the team will take, stakeholders, contract package elements, and the anticipated timeline.	Sets internal (to include IE) expectations, establishes process, and sets strategy for contract negotiations.
	<b>CMO-IE keep Cumulative Tracker</b> – Cumulative tracker (RFA, RFP, contracting) captures all IE/PRG input to date and is basis for weekly CMO-IE reviews to discuss and aim to close contract-related items.	Puts IE and CMO on same page with respect to contracting issues of concern.

**Conclusion**

SDG&E’s Local Industrial and Industrial – Port Tenants solicitations were well managed and resulted in a strong program that should serve the Company’s industrial customers well. Although the sector is not a large energy consumer when compared to other California IOUs’ industrial sectors, according to the Company’s Business Plan, it plays an important role in the regional economy. The sector will also need to adapt as the State continues to decarbonize and shift away from fossil fuels. A program that leverages SEM and other custom approaches to improving EE and reducing demand at industrial facilities can be at the forefront of these changes, helping customers adapt and continue to contribute to the regional San Diego economy.

**7. Implementation Plan Assessment**

The IP will be assessed in a future semi-annual report.

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

## **Local Industrial-Port Tenants Solicitation**

Reporting Period: April 2022 through September 2022

*Prepared by:*  
THE MENDOTA GROUP



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

# Local Industrial–Port Tenants

## 1. Solicitation Overview

### 1.1 Overview

This Report covers the activities associated with the Local Industrial-Port Tenants solicitation for the period from April 2022 through September 2022. During the period covered by this Report, SDG&E held contract negotiations with the bidder selected to run the combined Local Industrial/Local Industrial-Port Tenants program. Unless specifically mentioned, all solicitation references in this Report relate to the contracting Stage. It should be noted that, although SDG&E ran its Industrial and Industrial-Port Tenants solicitations at the same time, using similar template documents and processes, the Company selected one bidder to run both programs, and decided to combine the two scopes into a single contract. Therefore, the contracting portion of this document is identical for both the Local Industrial and Local Industrial-Port Tenants reports. In addition, as IEs were drafting this Semi-Annual Report (after the period covered by the Report), the CPUC’s Energy Division was reviewing the Advice Letter filing for this contract. This review could result in contract changes that will necessitate updates to contract summary information contained in this section. Any such changes will be addressed in the next Semi-Annual Report.

#### a. Scope

The Local Industrial—Port Tenants solicitation is seeking comprehensive and innovative EE resource program(s) that are applicable to the Company’s Industrial customer facilities operating inside the entrusted 34 miles of San Diego Bay and waterfront lands currently being managed by The Port of San Diego.

SDG&E concurrently issued a solicitation targeted at Industrial Port Tenants customers and a solicitation targeted at those Industrial customers not served by The Port of San Diego. SDG&E issued separate solicitations because of the unique nature of the Port’s customers and the Company’s belief that the two programs may require different program designs to best achieve success. Bidders were permitted to propose programs to serve both sets of customers, though each abstract was evaluated on a stand-alone basis. SDG&E requested that bidders not propose “package deals” that offer lower costs if both bidder proposals were selected. However, if SDG&E does ultimately opt to select a single bidder to implement both programs, they will request, in contract negotiations, ways that the bidder could reduce costs for each program due to operational synergies.

#### b. Objectives

The objective of this Solicitation is to select innovative third-party resource EE program(s) that reliably capture and document cost-effective energy savings applicable to Company’s Industrial – Port Tenant customer facilities and provide solutions to address the highly complex systems which

exist within this heterogeneous customer group. Cost-effectiveness is an important element of all programs in the California IOU portfolios. The proposed Program should contribute to a cost-effective portfolio and support the Company in achieving related CPUC-adopted portfolio goals and sector metrics.

## 1.2 Timing

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

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFA Stage		
Solicitation Launch	June 18, 2021	14 weeks
Bidders' Conference	June 28, 2021	
Offer Submittal Deadline	July 22, 2021	
RFA Shortlist to PRG	September 14, 2021	
Shortlisting Notification	September 21, 2021	
RFP Stage		
Solicitation Launch	November 8, 2021	20 weeks
Bidders' Conference	November 30, 2021	
Offer Submittal Deadline	January 7, 2022	
Interviews	March 3 – March 4, 2022	
RFP Shortlist to PRG	March 18, 2022	
Shortlisting Notification	March 30, 2022	
Selections & Contracting Stage		
Contracting and Negotiations Period	March 30 – July 19, 2022	22 weeks
Contracts Presented to PRG	July 27, 2022	
Contract Execution	August 31, 2022	

### 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 Industrial—Port Tenants solicitation.

Table 1.2: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
General			
Reducing solicitation timelines	SDG&E can further reduce its overall solicitation timeline and ensure consistency between RFA and RFP by developing documents for each stage in parallel.	We support the idea of beginning development of RFP in parallel with the RFA to both reduce the timing gap that emerges between RFA and RFP and to help ensure consistency/coverage between the two stages.	SDG&E is implementing this recommendation in late 2022 solicitations.
RFA Stage			
Refinements to RFA Materials	RFA solicitation documents/scoring rubric generally worked well. The limited number of bidder questions (11) and shorter bid documents (~24 pages) resulted in both lower burden on bidders and an efficient review process	Recommend that SDG&E continue to refine its RFA and scorecard to draw clear distinctions between bids (discrete questions and clear focus on salient aspects of solicitation’s objectives).	SDG&E has continued to evolve its RFA documents to both reduce the number of questions and ensure that information requested helps draw clear distinctions between bids.
RFA Savings Targets	For Resource Acquisition programs, SDG&E includes in its RFA target savings values for the program.	We do not believe SDG&E should provide target savings values as bidders will generally provide proposals that match these target values. This doesn’t allow for distinction between bids.	SDG&E adopted this recommendation.

**Table 1.2: Key Issues and Observations**

Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
Strategic Energy Management (SEM)	SDG&E’s Business Plan emphasizes the important role that should play in its industrial programs.	The RFA should make clear that SEM is a viable approach for bidder proposals and provide bidders the latest CPUC guidance related to SEM.	SDG&E agreed and incorporated language about SEM in its RFA and called attention to it in its Bidders Conference.
RFP Stage			
Using a Word template for RFP responses	SDG&E previously asked Bidders to submit proposal in Excel format, for both narrative and quantitative information. With its Local Agriculture solicitation, the utility changed this allow bidders to submit most narrative information in Word; Excel is used primarily for quantitative information.	We recommend that SDG&E continue to put more information into its Word form, such as Experience, References and Staffing Plan. In general, we think items that have a lot of words, whether or not they can be put into tables, are best provided in Word format as it makes it easier for Bidders to input and for reviewers to evaluate.	SDG&E believes this information contains enough quantifiable information to still remain in Excel form.

**Table 1.2: Key Issues and Observations**

Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
Interview Questions	It is important that interview questions align with specific aspects of the scorecard to facilitate post-interview adjustments to scores.	We recommend that SDG&E concertedly seek to align questions with specific scored items and that scorers should clearly describe in calibration their reasoning for adjusting scores.	SDG&E has adopted this recommendation.
Contracting			
Lengthy Contracting Process	A lengthy contracting process delays program implementation and places burdens on all parties involved (IOU, 3P, IE).	SDG&E should work with its IE pool to develop creative ways to expedite the contracting process without sacrificing the fairness, transparency, and quality of outcomes. Some suggestions include establishing with the implementer deadlines for finalizing documents, prioritizing and incorporating earlier in the process discussions about elements that can slow the process (compensation, technical aspects, etc.), being clear with 3Ps about the utility’s contracting priorities and allowing the third-party to do the same.	SDG&E has begun these discussions with IEs.
KPIs	The purpose of KPIs is to help ensure that the program’s performance is meeting expectations. Their value to the program during implementation depends on thoughtful consideration during contracting.	SDG&E should give due consideration during contracting to the important role that KPIs play in program implementation and ensure that KPIs are both discrete and limited in number.	SDG&E refined and sought to limit the number of KPIs for this program; however, the Company has sought to standardize its KPIs and is reluctant to change its overall approach.

Table 1.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
[Redacted content]			

## 2. RFA Bidder Response and Selections

The IE reported the RFA stage of the solicitation in the April 2021 through September 2021 Semi-Annual Report.

## 3. RFP Bidder Response and Selections

The IE reported the RFP stage of the solicitation in the October 2022 through March 2022 Semi-Annual Report. *See also Key Issues and Observations table above for observations pertaining to this stage.*



## 4. Contracting Process

### 4.1 Contract Negotiations

Before the start of negotiations, SDG&E decided to combine Cascade’s Industrial and Industrial – Port Tenants proposals into a single Industrial contract. The Company believed that combining the contracts would enable economies of scale, simplify contracting and implementation and improve the overall offering. We agreed with this approach, noting that, initially, we recommended that SDG&E consider combining the two solicitations into a single solicitation. At the time, SDG&E felt strongly that the scopes were sufficiently different to warrant two solicitations. SDG&E also decided to extend the contract term from 3 years to 4 years, given the length of time complex industrial projects can take to implement. We also supported this change as we had recommended during the RFA stage that SDG&E consider extending the contract length from three to five years.

SDG&E developed a contracting strategy document for internal discussions with priority items that they wished to achieve in the final contract and presented a similar version to Cascade which outlined the expected process, the elements of SDG&E’s standard contract, and roles and responsibilities. Contract negotiations with Cascade Energy began on March 30, 2022 (the date of bidder notification).



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

Per the CPUC’s D. 16-08-019 (OP10), a third party program is a program that is: “proposed, designed, implemented, and delivered by non-utility personnel”). D. 16-08-019, though, allows utilities during contract negotiations to “consult and collaborate, using their expertise, on the ultimate program design implemented by the third party.” (CoL 57) The Decision’s definition of a third party seeks to ensure that third parties (not IOUs) are primarily designing and implementing these programs and attempts to guard against utilities directing program design, exerting undue influence in shaping the final program during contract negotiations, or controlling the program’s implementation. SDG&E’s contract negotiations with Cascade were collaborative and sought to create an ultimate program with a high likelihood for success.

#### b. Fairness of Negotiations

Negotiations are fair if both sides receive something from the contracting process and one side does not unduly influence the outcome to the detriment of the other party. By this measure, the contract negotiation process was fair. SDG&E’s general approach to contract negotiations (with one major exception) is to take the contents of the bidder’s proposal and incorporate it into contract

documents. This approach is both fair to the bidder who advances to contract negotiations and fair to other bidders who were not advanced because the basis on which the selection was made (the bidder's proposal) is largely maintained. If the bidder or IOU seek to substantially modify the program during contract negotiations, this may not be fair to unsuccessful bidders who were not afforded the opportunity to change their programs (and may have scored better if they were given the chance to change their programs).



### **c. Changes to Contract Terms and Conditions**

The contract's Terms and Conditions (Ts&Cs) consisted of Additional Terms and Conditions (Corporate Ts&Cs), and the CPUC's Standard and Modifiable Terms and Conditions. By CPUC decision, IOUs and implementers are not permitted to modify the Standard Terms and Conditions. There were no changes to the Standard Terms and Conditions. The Standard Terms and Conditions also take precedence over the Corporate Ts&Cs.

The CPUC's Modifiable Terms and Conditions contain both guidance related to items that should be included in the RFP (e.g. "In its Proposal, Bidder will be required to include a table of KPIs, which will be the primary means by which Company will assess Program performance on an ongoing basis"), the contract (e.g. "Implementer shall comply with and timely cooperate with all CPUC directives, activities, and requests regarding the Program and Project evaluation, measurement, and verification"), the eventual IP (e.g. "Implementer agrees to comply, and to require all Implementer Parties to comply, with the Disadvantaged Worker requirements set forth in the Final IP"), and relevant definitions not included in the Standard Terms (e.g. "small business enterprise", "disadvantaged worker", etc.). They can be modified by agreement between the IOU and implementer.

The Terms and Conditions also require that implementers are properly licensed, something that SDG&E checked during contract negotiations. The Company's Legal department requested that Cascade confirm whether the company is required to obtain and maintain a California State Licensing Board (CSLB) license in order to implement the program. Cascade responded that they are not a licensed contractor in California because their company does not do any construction or building altering and, therefore, does not meet the threshold to obtain a license from either the Contractor or the Engineering boards.

There were limited changes (other than adapting elements to the specific program requirements) to the modifiable contract terms and conditions and no changes to the CPUC’s standard (non-modifiable) terms and conditions. Since SDG&E had also selected Cascade to implement its local Agriculture program and that contract negotiation process was ahead of the industrial contract negotiations, most changes to Corporate Ts&Cs were resolved in the Agriculture program contract negotiations.

**d. Conformance with CPUC Policies and Objectives**

The following table is our compilation of the relevant CPUC policies and objectives applicable to the Cascade SMART program.

Table 4.1: Contract Alignment with CPUC Policies and Objectives		
Item	Covered/Location	Program
Requires Advice Letter filing	Yes.	Budget exceeds \$5 million and 3 years.
Noted no changes to CPUC Standard Contract Terms and Conditions (Ts&Cs)	Schedule A1.	No changes to CPUC Standard Contract Ts&Cs.
Noted the changes to CPUC Modifiable Contract Ts&Cs	Yes. Included in Schedule A1.	SDG&E and Cascade changed the modifiable terms and conditions to match the program's requirements. Changes were reasonable.
Noted the changes to IOU Ts&Cs	Yes.	Few changes. Most changes had been previously negotiated with Cascade as part of its Agriculture program.
Contract is consistent with M&V Plan with NMEC guidelines	Yes	Contract Attachments 6 (Quality Assurance) and 13 (Measurement and Verification) include considerable detail in outlining requirements related to Custom, NMEC and SEM. With respect to SEM, the contract references the need to comply with the latest SEM Guidebooks.
Reasonable number of KPIs	Somewhat.	Has 12 KPIs, which we consider to be excessive, particularly because some of the KPIs are not sufficiently discrete. <i>See Key Issues and Observations section for additional information.</i>
KPIs make sense in terms of what they are measuring, the scale applied to them, and the timeframe on which they are monitored	Yes.	KPIs align with program priorities in terms of ensuring accurate, reliable, and consistent delivery of savings and customer satisfaction.

**Table 4.1: Contract Alignment with CPUC Policies and Objectives**

Item	Covered/Location	Program
Contract includes appropriate Performance Issue Remedies	Yes.	The KPIs include a process for addressing the program’s failure to achieve objectives.
Savings and Cost Effectiveness are similar to proposal and appear reasonable	Yes.	Savings and cost effectiveness increased from the individual proposals. Although they did not increase significantly, we view this as acceptable given that SDG&E shifted more of the implementer’s compensation to a performance-based approach.
Compensation structure is clear	Yes.	Compensation structure is fairly straightforward, although holdback provisions combined with the milestone-based approach to savings-related compensation may pose challenges during implementation. This occurs because of the need to carefully track each project’s estimated savings and payments provided to date
Relevant elements of IP clearly documented in contract	Yes/Schedule B – 4.3.4.	SDG&E incorporated into the contract elements that the IE highlighted will be important for the IP (e.g., opportunities for Disadvantaged Workers).
Innovative aspects of program are retained	Yes/Schedule B – 4.4.	SDG&E incorporated into the contract a mechanism to track the Innovative elements and ensure that they are retained during implementation.
If applicable, IDSM components incorporated and are consistent with Proposal	Yes/Attachment 11.	SDG&E and Cascade discussed the EE-DR Integration portion of the contract in some detail to clarify the budgets and deliverables that would be associated with EE-DR.
If applicable from Proposal, program considerations for HTR customers and those in DACs are incorporated and are consistent with Proposal	Yes/Schedule B – 4.4 and Attachment 7 – KPI 11	Although HTR was not considered applicable to the program (definition for businesses focuses on businesses likely smaller than those the program will serve), the program does include references to serving customers in DACs and includes a KPI to track. Cascade estimates that approximately 4 percent of savings will come from DACs.

Table 4.1: Contract Alignment with CPUC Policies and Objectives		
Item	Covered/Location	Program
Contract clearly addresses Disadvantaged Worker Requirements	Yes/Schedule B - 1.1.10 and 4.3.4.	States that Implementer will perform program services as outlined in the Policy and Procedure Manual ... to support continuous growth opportunities for DBEs and Disadvantaged Workers. Should monitor to ensure is in P&PM.
Contractor is DBE or identifies committed DBE spend.	Yes/Schedule D	Cascade is not a DBE. They have committed to DBE spend of approximately 8.3 percent. The DBE subcontractor is providing technical services.
Changes proposed by IOU or Contractor were reasonable and fair	Yes.	As discussed in this report, we believe the changes from both parties resulted in a fair contract.

#### e. Innovative Program Features

The contract highlights those programs elements considered innovative and emphasizes that these elements shall be retained throughout the program’s implementation. The innovative elements include:

- Utilizing SEM Light, which is an offering that focuses on small to medium business (SMB) customers that will lower touch, higher volume approach that is more accessible to smaller customers but still follow all California SEM Design and M&V Guides;
- Leveraging site-level NMEC to capture Behavioral, Retro commissioning and Operational (BRO) and small capital project savings;
- Offering energy and water efficiency education and training via self-serve e-Learning videos plus support with deemed and custom projects for SMB customers;
- Offering financing to vendors and contractors, including SDG&E’s On-Bill Financing, and offers through implementer’s financing partners, such as the NEI Fund, and
- Using Cascade’s proprietary energy management software platform, Energy Sensei, to manage project opportunity registers, track savings persistence, and document influence.

#### f. Uniformity of Contract Changes

Uniformity of contract changes applies to situations where the IOU is simultaneously negotiating with multiple parties during a solicitation. SDG&E only negotiated with Cascade Energy and no other bidders. Therefore, this was not applicable.

## 4.2 Contract Execution

SDG&E and Cascade Energy executed the contract on August 31, 2022, contingent upon CPUC approval of the Company's Advice Letter (AL). Actual program implementation (Notice to Proceed) begins on the day the CPUC issues its AL Disposition.

## 4.3 PRG and IE Feedback to Contracting

During the contracting process, SDG&E and the IE maintained a comment tracker to memorialize points of discussion between the IE, the PRG and the utility as related to the contract negotiations. Although IEs have a limited formal role in contracting as dictated by the PRG Solicitation Guidelines (IE is silent during contract meeting between the parties, IE does not engage with the third party, IE regularly reports to the PRG about that primary topics of discussion between parties), the IOU and IE found it useful to document IE and PRG observations both because IE suggestions can prove beneficial to the negotiation process and the IE can elevate issues (such as CPUC priorities as presented in the Modifiable Terms and Conditions) that may otherwise emerge after the contract has been negotiated.<sup>65</sup>:

The tracker included approximately 31 comments, all of which were considered resolved. The Public Advocates Office expressed its interest in SDG&E ensuring that the combined contracts would have terms better than the separate Industrial and Industrial – Port Tenants proposals. The contract for the combined program included improvements to savings and cost-effectiveness goals relative to the individual proposals. Energy Division staff sought clarifications related to SEM Light and CPUC guidebooks, distinctions between (non-Limited EE/DR Integration) IDSM and EE-DR Integration, changes to the program's logic model, and adding to the Quality Assurance Plan language that makes clear audits will be comprehensive and support SEM and IDSM efforts. SDG&E and Cascade agreed to modify the contract to clarify these items.

## 5. Assessment of Final Contract

### 5.1 Bid Selection Respond to Portfolio Needs

The selection of Cascade Energy's SMART Industrials program to serve the Company's industrial customers is consistent with SDG&E's portfolio needs as identified in its Business Plan, its Solicitation Plan, and its Biennial Budget Advice Letter (BBAL) filings. Prior to this solicitation, SDG&E served its industrial customers through the Company's Comprehensive Audit Program (CAP), its Calculated Incentives program (Energy Efficiency Business Incentives or EEBI), its Deemed Incentives program (Energy Efficiency Business Rebates or EEER), and its Strategic Energy Management program (SEM). The SEM program was the only one of the four dedicated to

---

<sup>65</sup> The PRG has an opportunity to review the final negotiated contract and provide suggested changes. Major changes at this point in the contracting process can be problematic and extend the negotiation timeframe.

industrial customers and will be entirely replaced by the new program. The industrial portions of the other programs will also close.

The SMART Industrials program is a comprehensive offering that is intended to serve all companies that SDG&E categorizes as industrial per their North American Industrial Classification System (NAICS) code. Cascade will be expected to coordinate with other programs that may serve the Industrial Sector, including any statewide (SW) programs that use a midstream or upstream delivery channel such as the SW HVAC, SW Lighting, SW Water Heating, and SW Water/Wastewater Pumping programs. The program's contract prohibits customers from receiving rebates and incentives from more than one program for the same installed units.

## 5.2 Bid Selection Provides Best Overall Value to Ratepayers

### Introduction

We assess best overall value to ratepayers in terms of whether the selected program, when compared to other proposals, will produce the greatest benefit (value) per ratepayer dollar invested.

Determining value to ratepayers, though, is highly subjective because there is no agreed-upon definition of "value" other than, for Resource Acquisition programs, the benefits a program is expected to produce relative to its costs (as expressed in the program's benefit/cost ratio). The program's benefit/cost ratio, though, is but one of many criteria evaluated in selecting a program. In a sense, the true measure of a program's likely value relative to its ratepayer investment is how the program scored relative to other programs.

[REDACTED]

[REDACTED]

[REDACTED] Selection of Cascade Energy's SMART Industrials program, therefore, provides the best overall value to ratepayers for the Industrial and Industrial-Port Tenants solicitations.

The analysis that follows does not attempt to directly compare the selected program with other proposals. In our view, if the solicitation process was conducted fairly and consistent with the scorecard and other selection criteria, the selected program(s) represents the best from the pool of bids. By extension, the selected program would also provide the best overall value to ratepayers.

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



## Brief Program Description

Cascade Energy, Inc.'s SMART (Savings, Measurement, Assistance, Rebates, Training) Industrials Program is a Resource Acquisition program that serves non-residential customers defined as Industrial, including Industrial customers served by the Port of San Diego. [REDACTED]

- HVAC
- machine drives
- lighting
- process heating
- process refrigeration
- compressed air
- boilers and steam systems
- fuel substitution
- controls

Building on the SEM base in its proposal, the new program will offer Custom solutions to large and small customers, with strategies that seek to engage and activate smaller customers through SEM Light, engineering support, and financing options. Although the proportion of savings from small and large customers is not detailed in the contract, it is anticipated that most savings will come from larger customers. No bidder in either solicitation proposed a program that derived a large proportion of savings from smaller customers. However, the Cascade program includes a clear track for smaller customers, much of which will rely on self-service tools and SDG&E marketing support.

## Quantitative Program Information

The following table shows a summary of the quantitative information extracted from the SMART Industrials program contract. To provide context related to whether the program provides value to ratepayers compared to existing programs serving the Industrial Sector, we provide claims data from SDG&E's "IND" designated programs for 2021. In reviewing results from 2019-2021, 2021 showed the best results and thus was used for the comparison. To compare with single-year data for Industrial-related program results, the contract data is divided by 4 to annualize the information. The program, technically, includes a fifth year that is for startup. For simplicity and comparison purposes, we assumed a 4-year program.



Table 5.1: Cascade SMART Industrials Program Quantitative Information			
Item	SMART Industrials (Annualized)	SDG&E Industrial-Related Programs (2021) <sup>66</sup>	SMART Industrials (4-Year Program)
Summary Data			
Budget (Contract Average Annual)	\$3,957,939	\$1,608,534	\$15,831,757
Limited EE-DR Integration Budget <sup>67</sup>	\$44,700	-	\$178,800
Electric Savings (Net first-year kWh)	9,703,495	3,456,646	38,813,978
Electric Demand Reductions (kW)	975	458	3,899
Gas Savings (Average Annual - Net first-year therms)	178,513	87,064	714,051
TSB	\$5,400,569	\$2,938,752 <sup>68</sup>	\$21,602,274
Metrics			
Total Resource Cost (TRC) Test	1.28	1.24	1.28
Program Administrator Cost (PAC) Test	1.38	1.87	1.38
Simple Acquisition Cost (\$/kWh) <sup>69</sup>	\$0.41	\$0.47	\$0.41
Simple Acquisition Cost (\$/therm)	\$22.17	\$18.48	\$22.17

Evidenced by Table 5.1, the SMART Industrial program’s goals, if achieved, will provide improvements over SDG&E’s current industrial sector programs. The SMART Industrials program has higher annualized electric energy and demand and gas savings, Total System Benefit, and cost

<sup>66</sup> Includes SDG&E’s SW-IND-Strategic Energy Management (SDGE3227), SW-IND-Customer Services-Audits NonRes (SDGE3229), SW-IND-Calculated Incentives-Calculated (SDGE3231), SW-IND-Deemed Incentives (SDGE3233) programs. SDGE3229 is a non-resource program and does not produce savings. However, it is assumed that this program refers customers to SDG&E’s Industrial programs, where savings are captured.

<sup>67</sup> This is the EE portion of the EE-DR Integration budget. Total EE-DR Integration budget is \$298,000 with \$119,200 funded from SDG&E’s DR budget.

<sup>68</sup> In 2021, utilities did not report TSB. We used “Claim Benefits” (avoided costs) as a proxy for TSB.

<sup>69</sup> Program budget divided by total (first year) program savings.

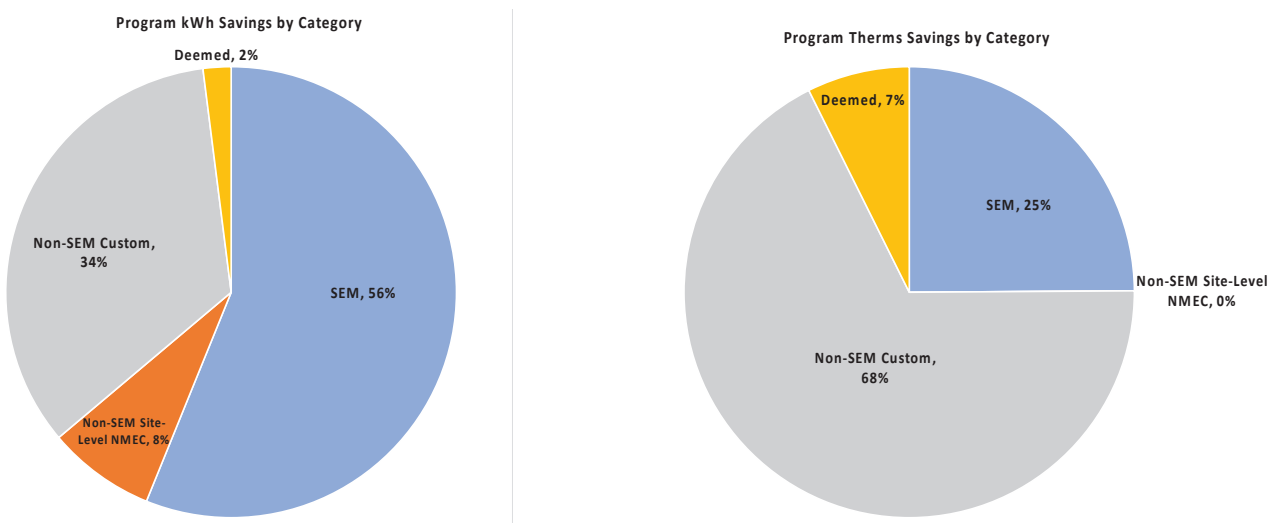
effectiveness. The only metrics for which the program has slightly lower goals than SDG&E’s 2021 programs are its therms simple acquisition costs and PAC Test.

## Measurement and Verification

The program’s contract includes as Attachment 13 to the Scope of Work a M&V Plan. The M&V Plan includes details related to protocols Cascade must follow in estimating and claiming savings associated with Deemed, Custom and NMEC platforms. For custom measures and projects, project-level M&V plans must adhere to IPMVP, CPUC, and SDG&E guidelines. The program will use site-level NMEC and comply with the latest CPUC NMEC Rulebook. SEM projects must follow the CPUC’s latest SEM Design and M&V Guides. The graph below shows the percentage of savings the program derives from the Deemed, Custom, and NMEC platforms.

As shown in Figure 5.1, the program will derive most of its savings from Custom and NMEC savings platforms.

Figure 5.1 – SMART Industrials Percentages by Savings Platform



According to the CPUC’s *Rulebook for Programs and Projects Based on Normalized Metered Energy Consumption v2.0* (NMEC Rulebook), NMEC is not allowed for industrial operations and maintenance (O&M) or behavior, retro commissioning, and operations (BROs)-type projects except as a component of Commission defined Strategic Energy Management Programs.<sup>70</sup> However, (non-SEM) site-level NMEC is permissible for projects in industrial buildings to the extent they are similar to projects that would be carried out in a commercial building. SDG&E confirmed during contract negotiations with Cascade that both its SEM and site-level NMEC projects conformed to

<sup>70</sup> NMEC Rulebook, p. 8.

these requirements. The program is using the assumptions afforded SEM programs, namely a 1.0 net-to-gross ratio and a 5-year effective useful life (EUL) for SEM measures.

## **Compensation**



## Supports portfolio and applicable sector metrics achievements

The Program’s KPIs support SDG&E’s portfolio and sector metrics. Per CPUC Decision 18-05-041, all utilities are required to track and report portfolio and sector-level metrics to help ensure programs are meeting Business Plan objectives. Decision 18-10-008 required that third-party contracts include KPIs that assess third-party program performance on an ongoing basis. Since, by the end of 2022, third party programs budgets will be, at a minimum, 60 percent of total IOU budgets, it is important that third-party contracts and associated KPIs support utility Business Plan metrics.

Table 5.3 shows the contract’s KPIs. The table includes an indicator to show whether the metric is also either a portfolio-level or Industrial Sector metric per SDG&E’s 2022 Biennial Budget Advice Letter filing (specifically Tab 17 – BP Metrics of the Budget Filing Appendix v3 file).

We believe the contract’s KPIs align with program priorities in terms of ensuring accurate, reliable, and consistent delivery of savings, customer satisfaction and other criteria such as participation from Port Tenant customers and customers in DACs. The contract’s Attachment 7 provides the weightings associated with each metric and details regarding targets, how and when KPIs are measured, and remedies for failure to achieve.

Table 5.3: SMART Industrials Contract KPIs			
KPI Category	Program KPI	Sector Metric	Portfolio Metric
Program Performance: kWh Savings (net 1st Year savings) <b>(2023)</b>	Year to date, percent achieved of net 1st Year kWh savings required under the Agreement based on planned savings acquisition rate for the reporting year	x	x
Program Performance: kW Savings (net 1st Year savings) <b>(2023)</b>	Year to date, percent achieved of net 1st Year kW savings required under the Agreement based on planned savings acquisition rate for the reporting year	x	x

Table 5.3: SMART Industrials Contract KPIs			
KPI Category	Program KPI	Sector Metric	Portfolio Metric
Program Performance: Therm Savings (net 1st Year savings) <b>(2023)</b>	Year to date, percent achieved of net 1st Year Therm savings required under the Agreement based on planned savings acquisition rate for the reporting year	x	x
TSB: Expressed in dollar terms of the lifecycle energy, capacity & GHG benefits <b>(2024-2026)</b>	To date, percent achieved of total TSB dollar value under the Agreement based on planned TSB acquisition rate for the reporting year		
Program Performance: TRC Ratio	Program’s TRC ratio based on measure installations and compensation to date, including any accruals that have posted (at 100 percent compensation rate <sup>71</sup> )	x	x
Port Tenant Penetration	Year to date, percent of achieved net 1st Year energy savings for tenants of the Port of San Diego (average of kWh, kW, and Therm percentages)		
Compliance/Program Performance (Energy Savings and Budgets): Reporting Accuracy	Average percent variance, year to date, between the forecasted energy savings and budget figures at the start of the monthly reporting period and actual figures invoiced the following month		
Compliance/Program Performance: Program Inspections	Year to date, percent of COMPANY inspections that pass on the first attempt		
Marketing: Enrollment of Customers	# of customers year to date who take action as defined in Attachment 5 Marketing Plan divided by # of customers forecasted per the Marketing Plan.		
Customer Satisfaction: Survey Scoring	Average score of customer satisfaction surveys and SEM workshop evaluations administered by Contractor year to date (Assuming a 5-point scale where 5 is highly satisfied). Survey shall include a question that assesses if the customer’s:		

<sup>71</sup> As indicated in contract: “Solely for the purpose of calculating whether Implementer has met a TRC goal or met such KPI score, the Parties shall include, as a part of the costs of the Program, the compensation that would be payable to Implementer as if Implementer had met the requisite TRC goal and KPI score required to accrue such remaining 20 percent of the cost per unit.”

Table 5.3: SMART Industrials Contract KPIs			
KPI Category	Program KPI	Sector Metric	Portfolio Metric
	understanding of IDSMS, DR, and water efficiency: opportunities have increased after participation in SMART Industrials.		
Customer Satisfaction: Complaints Received	# of complaints received year to date divided by # of customers participating in Program year to date		
Compliance: HTR/DAC Penetration:	Year to date, percent of achieved energy savings in HTR and/or DAC segments (average of kWh, kW, Therm percentages)		x
Compliance: DBE	Year to date, DBE spending as percent of total DBE spend commitment, split on an even pro rata basis by quarter		

### Program Deliverables

In addition to energy savings goals, the program includes a variety of deliverables designed to serve the needs of SDG&E’s diverse Industrial Sector. The paragraphs below highlight some of the notable deliverables.

#### *Small-Medium Businesses (SMBs)*

The program includes features targeted at SMB customers, in particular an SEM-Light offering that is tailored to needs of smaller customers. The contract uses the term SEM-Light to distinguish from SEM designed for larger customers; however, Cascade fully intends for these projects to follow the California SEM Design and M&V Guides. It is termed “light” because it is envisioned to be a lower touch, higher-volume version of SEM. The program will also offer SMBs energy and water efficiency education and training via self-serve e-Learning videos plus support with deemed and custom projects.

#### *Limited EE-DR Integration (IDSMS)*

The program retains a Limited EE-DR Integration component and includes an attachment (Attachment 11) that specifies funding amounts and deliverables associated with Limited EE-DR Integration. SDG&E also added to the program’s customer satisfaction KPI an element that asks participants about their awareness of IDSMS offerings. The feature will include training and awareness raising on EE + DR integration and EE + load-shifting opportunities and helping customers identify these opportunities at their facilities. The total EE-DR Integration budget is

approx. \$298,000 with \$119,200 coming from the DR budget and the remaining from the EE budget.

### *Support Services*

Based on SDG&E's decision to revise its Support Services offering, which moved aspects of Account Management (AE) support from Additional Services into its Base offering, Cascade removed its requested budget for Additional Services.<sup>72</sup> Base Services are provided at no additional cost to contractors while Additional Services (enhanced AE support) are charged at \$125/hour.

At the IE's request, SDG&E included a new Attachment 14 which details the Company's Base and Additional Support Service offerings. Although Cascade is not currently using the Additional Services, it is important to clearly document what SDG&E will be providing as part of Base services and facilitate the possible inclusion of Additional Services at a later time if both parties agree that they would add value.

### *Prescriptive Workforce Standards, Disadvantaged Worker Applicability*

In its proposal, Cascade indicated that the company didn't believe the prescriptive workforce standards from D.18-10-008 applied to them because their staff would not be doing measure installations.<sup>73</sup> D.18-10-008 requires that 3Ps with lighting controls-related and HVAC incentives over a certain dollar amount (Lighting controls project incentive > \$2,000, HVAC incentive > \$3,000) comply with specific workforce standards. The SMART Industrials program includes both lighting controls and HVAC measures which may trigger HVAC standards. SDG&E included language in Quality Assurance Plan and in the Scope to make this clear.

Decision 18-10-008's Modifiable Terms specify that Bidder proposals "shall include a section describing the manner by which their proposed program will provide Disadvantaged Workers with improved access to career opportunities in the EE industry for programs that directly involve the installation, modification, repair, or maintenance of EE equipment." Cascade indicated that they would not be doing any direct installations and, therefore, did not believe this requirement applied. SDG&E disagreed and included language in Scope of Work that requires that this be included in the program's Policy and Procedure Manual.

### *HTR/DACs*

Although requirements to serve HTR customers were not considered as applicable to the program (the business portion of the HTR definition focuses on businesses likely smaller than those the

---

<sup>72</sup> Support Services refers to specific ways that the utility supports third-party program implementation, to include Account Management support for projects. CPUC Decision 18-05-041, CoL 42-43 and Ordering Paragraphs 16-17 require that utilities offer implementers use of account representatives and track the number and proportion of implementers that forego the option.

<sup>73</sup> Decision language refers to "all projects involving installation, modification, or maintenance of HVAC measures in non-residential buildings ..." (ORDERING PARAGRAPH 1).

program will serve), the program does include references to serving customers in DACs and includes a KPI to track. Cascade estimates that approximately 4 percent of savings will come from customers in DACs. The contract specifies that Cascade will use targeted marketing strategies to increase participation and capture savings from HTR customers and customers in DACs.

*Port Tenants*

Considering that the solicitation process included separate solicitations for Industrial and Industrial – Port Tenant customers, it was important that the contract reflect the important role that Port Tenant customers will play in the combined program. The contract’s Scope of Work includes a section dedicated to Port of San Diego-specific activities and a KPI to track Cascade’s performance in serving these customers.

## 6. Overall Assessment of Solicitation

Overall, we believe that SDG&E’s Local Industrial and Industrial – Port Tenants solicitations were fair, transparent, unbiased, and consistent with CPUC policy. SDG&E’s Contract Management Office conscientiously sought to integrate process improvements throughout the solicitation process and was very open to IE and PRG suggestions. The solicitations resulted in the selection of an implementer that is capable of serving SDG&E’s diverse industrial customer base, including industrial customers within the Port of San Diego. The program will leverage Strategic Energy Management Guidebooks to serve both large and small customers but will also include Custom offerings that address the unique nature of industrial customer businesses.

### Effective Solicitation Practices

SDG&E utilized a number of “Effective Solicitation Practices”, a term that the California EE IEs use to describe solicitation practices that helped make the process more efficient, fair, and transparent. In some cases, these observed practices can benefit all California IOU third-party solicitations. In most cases though, listed practices were effective in context, given the specific circumstances associated with the solicitation. The list of the practices the IE identified during this solicitation follows.

Table 6.1: SDG&E Effective Solicitation Practices		
Stage	Practice	Comment
All	<b>Continuous Improvement</b> - SDG&E is dedicated to continuous improvement and willingness to engage IEs in this process.	Continually improves solicitation process



Table 6.1: SDG&E Effective Solicitation Practices		
Stage	Practice	Comment
	<b>Collaboration</b> – SDG&E’s CMO, program staffs and supply management actively engage the IEs in solicitation development and provide quick/thorough responses to issues raised.	Helps ensure that solicitation process produces best outcomes.
RFA	<b>Weekly Check-Ins</b> – CMO holds weekly check-ins with scoring Team during Scoring process.	Improves scoring quality/calibration process.
	<b>Simplified RFA</b> – RFA limits the information requested of bidders to only most salient.	Reduces burdens on Bidders and Scoring Team.
	<b>Includes IE in presentation to management</b> – IE is involved presentations regarding Bidders selected to advance to next stage.	Improves solicitation process transparency.
RFP	<b>M&amp;V Team develops a detailed spreadsheet for each Bidder</b> – Included is information about measures, sources of savings, proposed goals and budgets, and any issues of concern.	Facilitates robust discussion of technical aspects of Bidder proposals.
Contracting	<b>CMO develops a Contract Development Kick-Off Strategy Document</b> – Document outlines: negotiation priorities, the approach the team will take, stakeholders, contract package elements, and the anticipated timeline.	Sets internal (to include IE) expectations, establishes process, and sets strategy for contract negotiations.
	<b>CMO-IE keep Cumulative Tracker</b> – Cumulative tracker (RFA, RFP, contracting) captures all IE/PRG input to date and is basis for weekly CMO-IE reviews to discuss and aim to close contract-related items.	Puts IE and CMO on same page with respect to contracting issues of concern.

## Conclusion

SDG&E’s Local Industrial and Industrial – Port Tenants solicitations were well managed and resulted in a strong program that should serve the Company’s industrial customers well. Although the sector is not a large energy consumer when compared to other California IOUs’ industrial sectors, according to the Company’s Business Plan, it plays an important role in the regional economy. The sector will also need to adapt as the State continues to decarbonize and shift away from fossil fuels. A program that leverages SEM and other custom approaches to improving EE and reducing demand at industrial facilities can be at the forefront of these changes, helping customers adapt and continue to contribute to the regional San Diego economy.

## **7. Implementation Plan Assessment**

The IP will be assessed in a future semi-annual report.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the  
**Small Business Outreach Solicitation**

Reporting Period: April 2022 through September 2022

*Prepared by:*  
MCR Corporate Services



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

# Small Business Outreach

## 1. Solicitation Overview

### 1.1 Overview

Through this solicitation, SDG&E is seeking EE program proposals from non-utility companies for an innovative Small Business Outreach (SBO) Program for the 2024-2027 program years. The objective of the solicitation is to increase small commercial customer awareness of EE opportunities available and motivate them to act. This program will be classified as an Equity program<sup>74</sup> to specifically target small business customers who are typically underserved through traditional EE interventions and should seek to drive persistent bill savings through one-on-one energy management coaching to navigate the utility's portfolio of rate options, bill management, load management, and energy savings programs.

SDG&E's SBO Program will replace its legacy Business Energy Solutions (BES) Program that was expanded to serve small commercial customers due to the early closure of the third-party Small Commercial Program. On March 24, 2022, SDG&E filed Advice Letter (AL) 3972-E requesting to close its third party-implemented Small Commercial Program. Within the AL, SDG&E explained that its legacy BES Program would expand to serve the small commercial segment and prevent a gap in offerings until a new third-party solicitation could be completed.

#### a. Scope

Bidders' responses should target SDG&E's eligible small commercial customers, ( $\leq 20$  kW monthly demand) with a primary focus on HTR, DAC, or underserved customers. The small commercial sector includes two main market segments: Wholesale/Retail/Offices and Hospitality/Services

#### b. Objectives

The objective of the Solicitation is to implement a third-party program that will provide SDG&E's underserved small business customers the specialized support they need to participate in EE offerings in support of the Commission's ESJ Action Plan. Currently most small commercial customers are classified as hard-to-reach, and the expectation is that an equity-based approach program will further engage these customers. SDG&E's preference is for a program that can facilitate cross promotion and funnel customers into its new resource acquisition programs. The objective of the program is to provide small businesses the support they need to participate in EE offerings. The program budget is approximately \$3.8 million/year.

---

<sup>74</sup> Decision 21-05-031 defines Equity Programs as: "Programs with a primary purpose of providing EE to HTR or underserved customers and DACs in advancement of the Commission's ESJ Action Plan."

## 1.2 Timing

Key milestones associated with the SDG&E SBO solicitation are shown in Table 1.1.

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFA Stage		
Solicitation Launch	July 7, 2022	6 weeks
Bidders' Conference	July 15, 2022	
Offer Submittal Deadline	August 5, 2022	
RFA Shortlist to PRG	September 20, 2022	
Shortlisting Notification	September 27, 2022	
RFP Stage		
Solicitation Launch	October 18, 2022	19 weeks
Bidders' Conference	October 25, 2022	
Offer Submittal Deadline	November 29, 2022	
Bidder Interviews	February 6-7, 2023 (planned)	
Finalist Shortlist to PRG	February 24, 2023 (planned)	
Finalist Notification	February 28, 2023 (planned)	
Selections & Contracting Stage		
Contracting and Negotiations Period	February 28 -May 22, 2023 (planned)	18 weeks
Contracts Presented to PRG	May 23, 2022 (planned)	
Contract Execution	July 7, 2023 (planned)	

## 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 SBO solicitation.

**Table 1.2: Key Issues and Observations**

Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Timing of RFP Development	SDG&E intended to develop an RFP package prior to completing abstract scoring, but utilizing the same staff for both activities put too much strain on IOU staff.	Develop standardized documents earlier in the process. Adjust RFP schedule to allow the scoring team to complete abstract evaluation and incorporate learnings from abstracts to inform documents such as Response Form and Scoring Criteria.	SDG&E added time to RFP schedule and reserved some elements of the package until post calibration to incorporate learnings. IE and IOU worked together to review packages as items were completed.
Evaluator Check-in	SDG&E had two evaluator check-in meetings scheduled during the RFA evaluation period.	The IE supports this practice as it serves to track progress. The first check-in serves as a “practice session,” with all evaluators scoring one abstract in its entirety. This is helpful for the new scoring team members.	No action required.

## 2. RFA Bidder Response and Selections

### 2.1 RFA Development

SDG&E held its internal project kickoff meeting for the SBO solicitation on May 5, 2022. After introductions, the CMO lead presented the newly developed accelerated solicitation timeline. SDGE is aiming for a 12-month process for this solicitation. The Program Advisor gave a brief overview of the intent of this equity solicitation and the group had a good discussion about the CPUC’s guidance on Equity programs.

SDG&E drafted the RFP package<sup>75</sup> and sent it to the IE for review on June 8. The IE reviewed the package by June 15. The IE provided 43 comments on the RFA package. Many of the IE’s comments at this stage were recommendations to conform to the most recent version of the PRG Guidance for the RFA Stage. These included:

- Adding language to indicate how bidders can be added to the contact list for potential

<sup>75</sup> The package included RFA Instructions, Standard & Modifiable Terms and Conditions, Bidder Response Form, Scoring Workbook, 10 Appendices and a Checklist.

prime and subcontractors.

- Adding an independent training session on the cost-effectiveness tool and incorporating CET training or refreshers, as appropriate, into the bidders' conference.
- Providing links to previously recorded trainings and resources.
- Adding Workforce Standards recommendations from Section 4.2.4 of the PRG Guidance.
- Adding PRG Guidance on Quality Assurance Procedures: "Bidders shall identify Quality Assurance Procedures that ensure program projects and measures that are installed perform to minimum standards appropriate to the program proposed. The Quality Assurance Procedures must be sufficiently robust to ensure that each Program Project, each Measure, and the Proposed Program complies with Applicable Law."
- Recommending that RFA responses be high level with details reserved for RFP stage.
- Circling back to DAC and HTR goals at the RFP stage and requesting justification for the goal assumptions.
- Adding section on Fuel Substitution that SDG&E currently includes at the RFP stage to the RFA Instructions, so bidders have early notification.

The IE reviewed the package updates on June 21, and the RFA package was submitted to the PRG for review on June 29. SDG&E launched the RFA through PowerAdvocate on July 7, 2022.

## 2.2 RFA Outreach

SDG&E successfully conducted outreach through the standard channels as evidenced by 64 registered bidders through its PowerAdvocate portal as of the abstract due date (August 23, 2022). In addition, SDG&E devoted a section of its corporate website to listing third-party EE solicitations opportunities ("Energy Efficiency Third-Party Solicitations").<sup>76</sup> SDG&E also utilized the websites for CAEECC and the Proposal Evaluation and PEPMA, which hosts the California Statewide IOU and Energy Efficiency Solicitation website, for notifying the market of the solicitations.

## 2.3 RFA Bidders' Conference

SDG&E held the RFA Bidder Conference for the SBO solicitation on July 15, 2022. SDG&E provided background on "The Road to 60 percent," an overview of segments and goals, items to consider when preparing a response, RFA timeline, Power Advocate & Supplier Diversity Program, bid details/documents/ information, abstract structure ("What Are We Looking For?"), tips to be successful, and resources. SDG&E walked through each question in the Abstract Response Form. The hope was that Bidders take advantage of the opportunity to ask any clarifying questions and submit abstracts that are more responsive to the RFA.

---

<sup>76</sup> <https://www.sdge.com/more-information/doing-business-with-us/energy-efficiency-third-party-solicitations>.

The Bidders’ Conference lasted 75 minutes. Attendee information is provided in Table 2.1 below.

Table 2.1: SBO Bidders’ Conference July 15, 2022	
Entity	Number of Attendees
IOU	
IE	
PRG	
Potential Bidders	

The IE made the following observations during the Bidders’ Conference:

- Employing multiple SDG&E presenters with experience in different areas proved to be more stimulating for attendees and helpful for Q&A.
- Including background on SDG&E’s progress on “The Road to 60 percent” was good information and is responsive to stakeholders’ requests to be informed of where IOUs are in achieving their 60 percent goal.
- Including an overview of the Supplier Diversity Program proved beneficial.
- Answering the question “What Are We Looking For?” provided good information on the structure of the anticipated abstracts.
- Walking bidders through each question in the Abstract Response Form was a good opportunity to provide bidders with as much detail as possible about what SDG&E expects from each question.

SDG&E received two questions at the Bidders’ Conference (7/15) and one additional question during the Solicitation Q&A period (7/22):

- I understand this is primarily a non-resource program, but can a portion of the budget be used for installation of resource measures?
  - *SDG&E Response: Yes, a bidder may elect to include resource measures in their proposed program design. Please see the RFA Instructions for more information.*
- Does SDG&E have a good understanding of which customers fall under the HTR/DAC categories and how well do we understand their behaviors and engagement with SDG&E currently?

<sup>77</sup> Small Business Utility Advocates

<sup>78</sup>



- *SDG&E Response: Yes. This new equity program will target small commercial customers with a monthly demand of 20 kW or less and the large majority of small commercial businesses lease their facilities. Therefore, these customers are more likely to be defined by the CPUC as “hard—to-reach.” Small businesses are apprehensive to invest in EE projects for a number of reasons, including uncertainty about the longevity and/or profitability of their business and/or a lack of authority to make facility updates. SDG&E understands that these customers face a unique set of barriers to participation and have historically been underserved through traditional EE interventions. Please refer to SDG&E's 2024-2027 Business Plan for metrics and additional information.*
- Can SDG&E share how many customer accounts fall into the small business category as described in the RFA?
  - *SDG&E is unable to provide an exact count of how many accounts fall under the small business category as described in the RFA. This is because the definition of a small business varies based upon the context. Additionally, customer usage is continuously fluctuating. As referenced in SDG&E's 2024-2027 Business Plan, approximately 77 percent of commercial customer are under 20 kW. Please refer to the 2021 Annual Report and SDG&E's Business Plan for historical data and additional information.*

## 2.4 RFA Bidders Response

SDG&E received [REDACTED] abstracts in response to the Small Business Outreach. [REDACTED] [REDACTED] early on August 4; [REDACTED] abstracts were submitted at the August 5 abstract submittal deadline. That figure represents roughly [REDACTED] bidders that accessed the solicitation documents prior to August 5. No abstracts were disqualified due to being incomplete. After abstract evaluation and calibration, [REDACTED] [REDACTED]

Table 2.2: Solicitation RFA Response	
	No.
Abstracts Expected	[REDACTED]
Abstracts Received	[REDACTED]
Abstracts Disqualified	[REDACTED]
Abstracts Shortlisted	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

All abstracts passed SDG&E’s First Gate, which includes two Pass/Fail tests:

- Was the abstract submitted on-time via PowerAdvocate?
- Was the abstract responsive to the solicitation? (The bidder followed the RFA instructions; the bidder submitted mandatory Schedules and documents; the bidder provided all required information requested and in PowerAdvocate; and the bidder provided an abstract that could be reasonably scored.)

SDG&E held two evaluator check-in meetings scheduled during the evaluation period, which MCR supports. The check-ins served to track progress, and the first check-in also served as a “practice session.” [REDACTED]

## 2.5 Abstract Selection Process

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

SDG&E required bidders to submit just two documents in response to the RFA:

- The “RFA Form” in which the bidders included their responses to the [REDACTED] RFA questions, and
- The “RFA Checklist and Acknowledgement,” a tool to assist the bidder in identifying and verifying that all required abstract submittal documents had been reviewed and submitted.

[REDACTED] to PowerAdvocate on-time and in-full. SDG&E then verified that the bidders’ responses to each question had not exceeded the per-question word limits that ranged from [REDACTED] words.

### b. Abstract Evaluation Team Profile

SDG&E’s practice is that all its evaluators score the entire abstract. [REDACTED]

[REDACTED]



SDG&E conducted a one-hour RFA Evaluator Training on August 4. Topics included conflicts of interest, use of the scoring workbook, and “rules” for abstract evaluation. Additional time was spent going through the scoring criteria in greater detail for selected questions in the Program Design, Innovation, Experience and Capabilities, and Cost and Performance sections.

**c. Abstract Scoring Rubric Design**

Table 2.4 details the scoring rubric for SDG&E’s SBO abstracts. The categories and sub-categories and their associated weighting follow guidance in Appendix K of the EE PRG Solicitation Guidelines (Ver 1.1, August 2020).

Table 2.4: Scoring Rubric			
Tier 1 Criteria	Tier 2 Criteria	Tier 2 %	Tier 1 %
Program Overview			
Program Design			

Table 2.4: Scoring Rubric			
Tier 1 Criteria	Tier 2 Criteria	Tier 2 %	Tier 1 %
Program Innovation			
Program Operations			
Experience and Capabilities			
Total Score		100%	100%

**d. Evaluation Processes and Scoring Calibration**



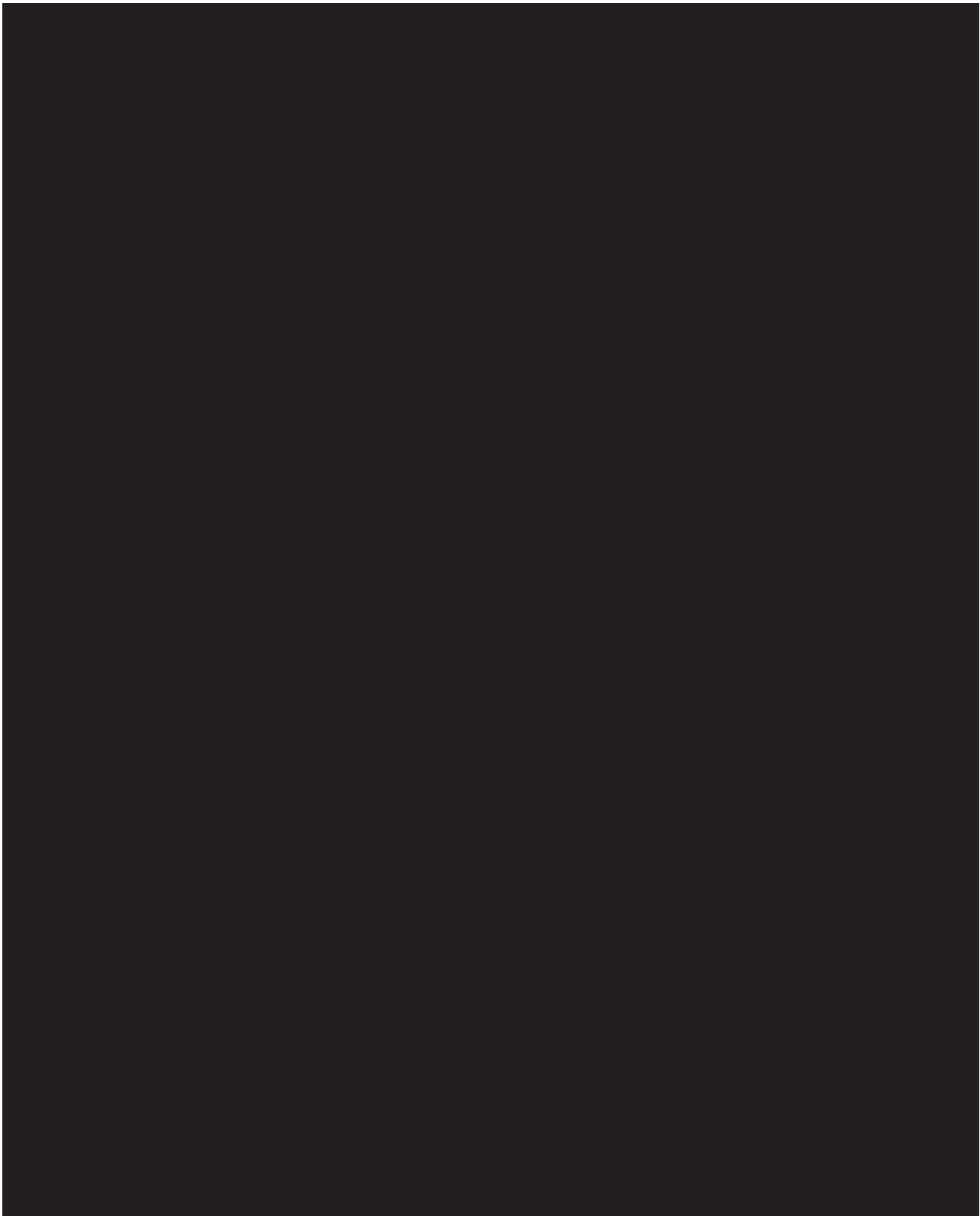




The calibration meeting was conducted very efficiently and fairly.

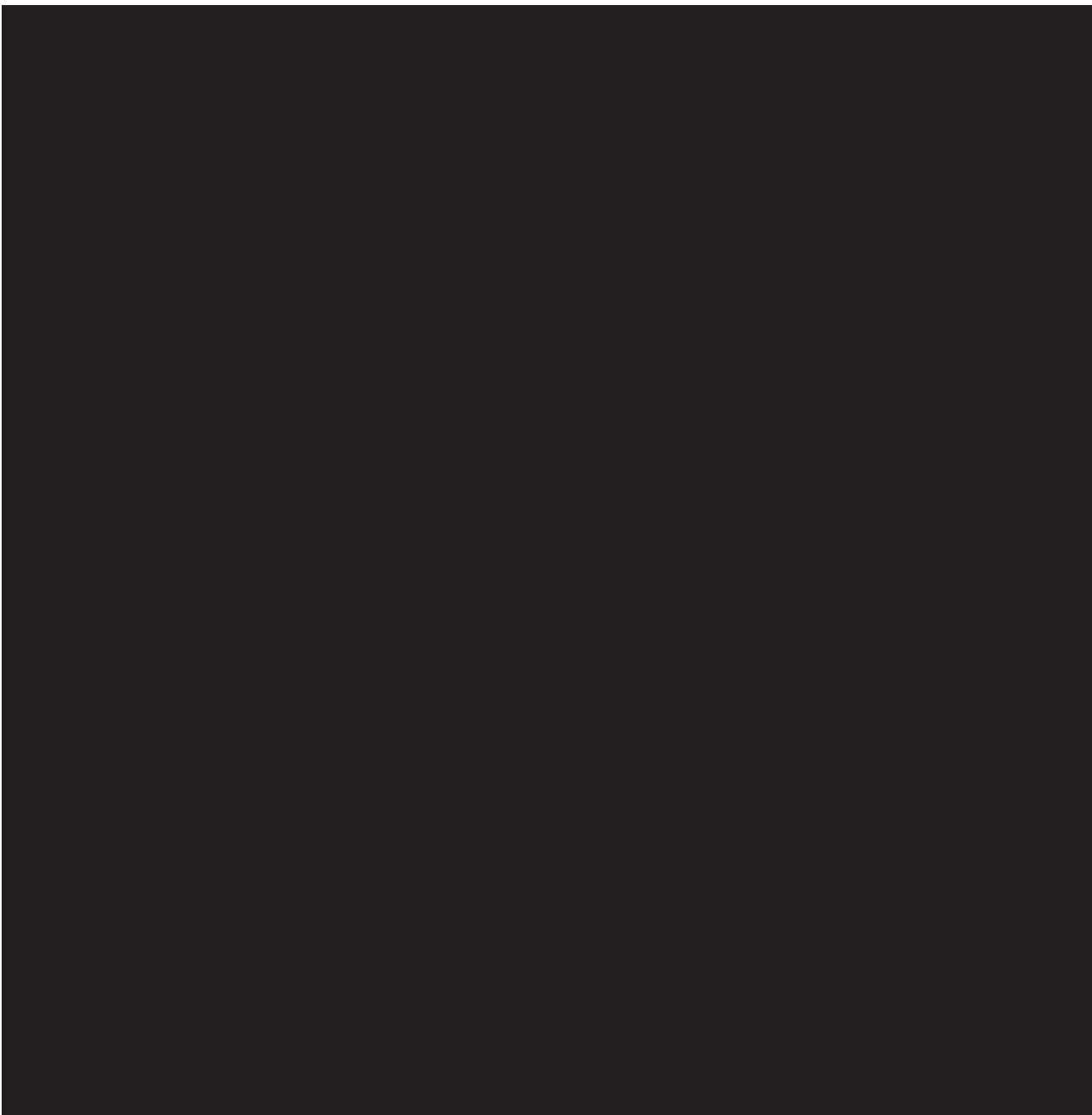
- The moderator was consistent about inviting scorers to provide input and rotated which evaluator was invited to discuss their scoring rationale first.
- All scorers present participated without anyone taking over the discussions. None were reluctant to discuss their scores or their rationale.
- Scorers were thoughtful in responding to IE questions and clarifications.





---

<sup>80</sup> The natural break in scores (Jenks Natural Breaks) shown in the figure is based on SDG&E's scores. [Redacted]



**e. Abstract Selections**

Table 2.6 lists the [redacted] abstracts ultimately selected by SDG&E to advance to the RFP Stage of the SBO solicitation.







**2.6 PRG and IE Feedback to Abstract Process and Selections**

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

The IE completed a “Checklist of PRG Guidelines for RFA Document Development and Review” on the SBO RFA document package. The IE found that only [redacted] items did not follow guidelines in their entirety and all those items were really precursors for RFP stage requirements and would be resolved at that time. These had no impact on the RFA process.

The PRG provided several questions upon review of the selection of bidders to advance to the RFP stage.






## **Non-advancing Bidders**

1) Given that the bids not advancing scored so poorly, besides offering Bidder Feedback sessions, what other strategies are you considering increasing the competitiveness of new and SBE/DBE bidders?

As you reference in your remaining questions below, SDG&E did provide an opt-in contact list for potential subs and primes through completion of the RFA. In addition to offering bidder feedback sessions, this is another way we are addressing the competitiveness of new and SBE/DBE bidders.



2) Did the new and/or SBE/DBE bidders have an opportunity to network with the larger bidders? Please provide any details.

Yes, SDG&E has instituted a process whereby potential bidders or subs can complete an Interested Organizations Form for all of our solicitations. This creates an RFA contact list that enables interested DBEs, SBEs, prime contractors, and subcontractors to circulate their information (i.e., names, core capabilities, and certification statuses) and be contacted, if desired, in connection with the RFA. Submitting information to be placed on the RFA contact list is optional and is not an RFA requirement. It does not guarantee being contacted by a participant or bidder in an RFA.

## **All Bidders**

1) What weighting did SDG&E attribute to supplier diversity? What information was requested of the bidders regarding their supplier or partner diversity?

Information regarding the bidder's DBE status is requested within PowerAdvocate; however, SDG&E does not attribute a scoring weighting for supplier diversity in the RFA.

#### **b. Response to IE Feedback**

SDG&E was largely very responsive to the IE's feedback in development of the RFA, having accepted 90 percent of the IE's recommended changes to the RFA documents.

### **3. RFP Bidder Response and Selections**

#### **3.1 RFP Development**

In conjunction with the abstract scoring, SDG&E began the process of developing the RFP materials. MCR began reviewing Schedules B and B1 (Bidders' Response Form) the last week of September. Additional documents will be developed and reviewed in October.



The IE supported the additional time needed to develop the package and feels it is beneficial to reserve some elements of the package until post-evaluation/calibration of the abstracts. It will be important for the IOU teams to incorporate learnings from the abstracts and adjust RFP materials accordingly.

#### **3.2 RFP Bidders' Conference**

The SBO Bidders' Conference is scheduled for October 25, 2022.

#### **3.3 RFP Bidders Response**

This stage of the SDG&E SBO solicitation has not yet occurred; future Semi-Annual Reports will address this topic.

### **3.4 Proposal Selection Process**

This stage of the SDG&E SBO solicitation has not yet occurred; future Semi-Annual Reports will address this topic.

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

This stage of the SDG&E SBO solicitation has not yet occurred; future Semi-Annual Reports will address this topic.

## **4. Contracting Process**

This stage of the SDG&E SBO solicitation has not yet occurred; future Semi-Annual Reports will address this topic.

## **5. Assessment of Final Contract**

This stage of the SDG&E SBO solicitation has not yet occurred; future Semi-Annual Reports will address this topic.

## **6. Overall Assessment of Solicitation**

This stage of the SDG&E SBO solicitation has not yet occurred; future Semi-Annual Reports will address this topic.

## **7. Implementation Plan Assessment**

This stage of the SDG&E SBO solicitation has not yet occurred; future Semi-Annual Reports will address this topic.

Energy Efficiency Independent Evaluator's Semi-Annual Report on the  
**Local Workforce Education & Training Solicitation**

Reporting Period: April 2022 through September 2022

*Prepared by:*  
Barakat Consulting, Inc.

**Barakat Consulting**  
I N C O R P O R A T E D

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

# Local Workforce Education & Training/Integrated Energy Education & Training

## 1. Solicitation Overview

### 1.1 Overview

Under this solicitation, SDG&E is seeking abstracts for a Workforce Education and Training (WE&T)/Integrated Energy Education and Training (IEET) Program from non-utility companies for the 2024-2027 program years ("Solicitation"). The WE&T Sub-Program IEET is broken up into two components, Technical Upskill and Core Energy Education Collaboration (CEEC).

Proposed programs should educate and train the workforce/trade professionals, students, customers, and collaborate with organizations that provide workforce education and training (i.e., community colleges, 4-year colleges, trade associations) ("Organizations") on how to recognize energy savings opportunities, and provide them with information, skills, and resources to act upon those opportunities. The primary purpose of the program is to provide education and training to the current workforce and customers on EE but also to prepare the future workforce to be better able to successfully perform the jobs needed to help achieve increased energy savings targets for the IOUs and California's clean energy goals. It is also important for customers to be better educated on integrated solutions, including EE, DR, self-generation, and electric vehicles and what to look for in a well-trained workforce.

This program is classified as a Market Support program and specifically targets the workforce/trade professionals, students and customers who can benefit from continued education and prioritize the value of EE and a well-trained workforce to implement projects. This program also collaborates with Organizations in order to understand the advancements in EE practices, increase awareness and demand for green careers/advanced energy jobs in California.”: Decision 21-05-031 defines Market Support Programs as: “Programs with a primary objective of supporting the long-term success of the EE market by educating customers, training contractors and building government partnerships, or moving beneficial technologies towards greater cost effectiveness.”: In support of the Decision of Market Support Programs, WE&T IEET will focus its efforts on educating customers and training contractors.:

#### a. Scope

This RFA seeks qualified Bidders to propose, design, implement, and deliver an innovative and comprehensive local WE&T IEET Program directed at the workforce/trade professionals, students, customers, and Organizations across SDG&E's service territory.

## b. Objectives

The objective of the Solicitation is to implement a third-party program(s) ("Program") that will provide SDG&E's service territory workforce/trade professionals, students, customers, and organizations the education and training support they need to participate in EE offerings in support of SDG&E's Energy Efficiency Rolling Portfolio Business Plan ("Business Plan" or "Strategic Business Plan"). The Program will be funded by SDG&E's "Market Support" segment of the EE program portfolios, which means the CPUC's cost-effectiveness threshold requirements do not apply. However, the IOUs encourage Bidders to propose a cost-efficient program design and delivery that maximizes program performance.

### 1.2 Timing

The solicitation launched on August 19, 2022 and is expected to be complete in the third quarter of 2023.

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFA Stage		
Solicitation Launch	August 19, 2022	12 weeks
Bidders' Conference	August 29, 2022	
Offer Submittal Deadline	September 19, 2022	
RFA Shortlist to PRG	November 8, 2022	
Shortlisting Notification	November 15, 2022	
RFP Stage		
Solicitation Launch	January 18, 2023	22 weeks
Bidders' Conference	February 1, 2023	
Offer Submittal Q&A Period	February 2023	
Offer Submittal Deadline	March 3, 2023	
Interviews	April 2023	
RFP Shortlist to PRG	May 2023	
Shortlisting Notification	June 2023	

Table 1.1: Key Milestones		
Milestones	Completion Date	Weeks to Complete
Selections & Contracting Stage		
Contracting and Negotiations Period	Q2 2023	21 weeks
Contracts Presented to PRG	Q2/Q3 2023	
Contract Execution	Q3 2023	

### 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 WE&T Solicitation during the RFA stage.

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

## 2. RFA Bidder Response and Selections

### 2.1 RFA Development

SDG&E developed the RFA materials in June/July 2022 and the IE conducted a thorough review and provided comments and feedback on the RFA Instructions, Abstract Response Form, and Scorecard. We were given adequate time to review and provide feedback and to review changes made by SDG&E based on our recommendations.

Once the materials are finalized, we will review the scoring guidance to evaluators and provide feedback prior to score team training.

The main themes of our feedback included the following:



- Clarification in questions to ensure that the focus is training and education vs energy savings and incentives
- Adding IDSM training as a component of IDSM and EE/DR questions and budgets
- Adjustments in weighting on scorecard to match up with the categories and questions better
- Adding components to the Staffing and Experience questions to ensure Staff is linked to proposed tasks and Experience is current, relevant and with proven results

SDG&E accepted and/or adequately responded to our suggested modifications to the documents.

## **2.2 RFA Outreach**

SDG&E used traditional outreach methods including the EE Service List, PEPMA, SDG&E website and LinkedIn page, and expanded to include other groups shown below:

- Email blast to Supplier Diversity DBE list
- Interested Organizations Form via teams
- American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) San Diego – Reached over 2,000 contacts
- San Diego Green Building Council
- California Efficiency + Demand Management Council (CEDMC)
- Trade Pro Alliance – Reached over 1000 Trade Professionals
- Small Business Utility Advocates

SDG&E also had a paid ad on LinkedIn that led to the SDG&E website.

## **2.3 RFA Bidders' Conference**



The Bidders' Conference was held on August 29, 2022. There were 14 attendees, including representatives from SDG&E, the PRG and three bidders. There were 25 questions received during the conference and two additional following it. Themes of questions included:

- Request for names of the existing program implementers
- Understanding of how many implementers would be selected
- Clarification of budget and scope
- Clarification of the role(s) of SMEs/Sub-Contractors in the abstract process
- Transition of the current program to a new implementer


## 2.4 RFA Bidders Response



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

As general summary of the program budget and goals is shown in the table below   




 SDG&E circulated a survey to interested bidders to better understand their reasons for not submitting an Abstract. There was limited feedback, with potential bidders indicating 1) the solicitation was not a good fit for their company, 2) they did not have enough time to respond and/or 3) they did not have the resources to respond/participate.

## 2.5 Abstract Selection Process

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

There were no deficient abstracts.

### b. Abstract Evaluation Team Profile





### c. Abstract Scoring Rubric Design

The abstract scorecard is shown in Table 2.4.

Table 2.4: Abstract Scoring Rubric	
Core Program Elements	% Of Total
Program Overview & Design	[Redacted]
Innovation	
Program Operations	
Cost and Performance	
Experience and Capability	
Total Score	100%

#### **d. Evaluation Processes and Scoring Calibration**

The evaluator team training was held for 90 minutes on September 20, 2022. The training included an overview of the scoring criteria and the scoring and calibration of a mock abstract. The evaluators were all engaged and participated in the process. The purpose of the mock abstract and calibration process is to get the evaluators to apply the scoring guidance and discuss scores as they would in a calibration session.



#### **e. Abstract Selections**

The details of abstract selection will be covered in a future Semi-Annual Report.

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

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

The abstract review and selection process followed PRG guidance and although there was no PRG feedback at the RFA stage, SDG&E responded very favorably to most of the IE feedback.

#### **b. Response to IE Feedback**

SDG&E accepted and/or adequately responded to our suggested modifications to the documents.

### **3. RFP Bidder Response and Selections**

To be covered in a future Semi-Annual Report.

### **4. Contracting Process**

To be covered in a future Semi-Annual Report.

### **5. Assessment of Final Contract**

To be covered in a future Semi-Annual Report.

### **6. Overall Assessment of Solicitation**

To be covered in a future Semi-Annual Report.

### **7. Implementation Plan Assessment**

To be covered in a future Semi-Annual Report.