

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 11, 2020

Ray B. Ortiz
Regulatory Tariff Manager
Southern California Gas Company
555 West Fifth Street, GT14D6
Los Angeles, CA 90013-1011

Dear Mr. Ortiz,

This disposition letter serves as a notice of approval of Southern California Gas Company's (SoCalGas) 2020 third-party advice letter for its Residential Single-Family Program solicitation (Advice Letter 5709), effective November 11, 2020.

Background

Decision 18-01-004, the Third-Party Solicitation Process Decision, requires the four California Investor-Owned Utilities (IOUs) to file a Tier 2 advice letter for each third-party contract, or batch of third-party contracts, that is valued at \$5 million or more and/or with a term of longer than three years, for commission review.¹ On October 12, 2020, SoCalGas filed Advice Letter 5709 as part of its Residential Single-Family Program solicitation.

In operationalizing the review of these third-party advice letters, Energy Division Staff focused its review on the fairness of the solicitations process, size of contract budget and forecasted savings, and the contract's contribution to the portfolio-level cost-effectiveness requirements. Approval of these advice letters is not evidence of Commission approval of future program implementation. It is the IOU's responsibility to manage its portfolio to ensure it remains in compliance with its approved business plan and all Commission Decisions.

Implementation Plan Development

Decision 18-05-041, the Business Plan Decision, Ordering Paragraph 2 requires implementation plans to be posted within 60 days of contract execution, or within 60 days of Commission approval if the contract meets the advice letter threshold. With the issuance of this disposition, implementation plans for these programs are due to be posted no later than January 10, 2021.

Please direct any questions regarding Energy Division's findings in this non-standard disposition to Sarah Lerhaupt (sarah.lerhaupt@cpuc.ca.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "ERAND" followed by "(for)" in parentheses.

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

¹ D.18-01-004 at pg. 57

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Cc: Service List R.13-11-005
Pete Skala, Energy Division
Jennifer Kalafut, Energy Division
Alison LaBonte, Energy Division
Scott Kjorlien, Energy Division
Cheryl Wynn, Energy Division
Sarah Lerhaupt, Energy Division



Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.4957

RvanderLeeden@socalgas.com

October 12, 2020

Advice No. 5709
(U 904 G)

Public Utilities Commission of the State of California

Subject: Southern California Gas Company's Request for Approval of a Third-Party Contract from the Residential Single-Family Program Solicitation, Pursuant to Decision (D.) 18-01-004

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (CPUC or Commission) a third-party contract for the Residential Advanced Clean Energy Program, resulting from the Residential Single-Family (Res S-F) Program solicitation.

Purpose

Pursuant to D.18-01-004, Ordering Paragraph (OP) 2, program administrators (PAs)¹ are directed to submit a Tier 2 Advice Letter for each third-party contract, or a batch of third-party contracts, that is valued at \$5 million or more and/or with a term of longer than three years, for Commission review.²

Background

On January 17, 2018, the Commission issued D.18-01-004, addressing the required process for third party solicitations in the context of the rolling portfolio energy efficiency (EE) programs overseen by the investor-owned utilities (IOUs) PAs. D.18-01-004 also required that independent evaluators (IE) be utilized for third-party solicitations. Moreover, the Commission required all third-party contracts to include a formal IE report to be submitted via a Tier 2 Advice Letter for those contracts that are valued at \$5

¹ In OP 2, the utility PAs are Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and SoCalGas.

² D.18-01-004, at p. 61.

million or more and/or with terms of longer than three years.

SoCalGas' Residential Advanced Clean Energy Program delivers EE savings through comprehensive advanced clean energy solutions for residential single-family customers. The advanced clean energy path begins with the delivery of cost-effective, direct install measures with high therm savings potential. The program transitions to deeper comprehensive EE measures, and/or clean energy retrofit measures that can be financed by outside sources and co-pay. This program will replace SoCalGas' existing Residential Direct Install Program for one with deeper energy savings by offering more comprehensive EE measures with co-pay.

Residential Advanced Clean Energy Program also leverages incentives from electric IOUs, air quality districts, municipal electric utilities, and local environmental agencies. Mutual collaboration and coordination, as well as equitable contribution of resources and commitment, are keys to such program strategies. Partnering with other entities, through structured arrangements, is intended to: increase the number of customers adopting EE; promote deeper, comprehensive EE; simplify customer engagement; and reduce program costs through a cost-sharing partner model.

The Residential Advanced Clean Energy Program is expected to contribute 758,568 net therms over three years. Sixty percent of the 758,568 net therms will target hard-to-reach (HTR) customers and those in disadvantaged communities (DACs). The focus on these customers strengthens SoCalGas' commitment to reach its most vulnerable customers. The total resource cost (TRC) ratio for this program is forecasted to be 1.37. As such, it is one of the many cost-effective programs in SoCalGas' portfolio. The Residential Advanced Clean Energy Program is within the budget the Commission has established. This contract represents approximately two percent of SoCalGas' third-party solicitation requirement.

Third-Party Contract Solicitation

Of the three third-party contracts resulting from the Res S-F solicitation, one contract has a budget that meets the approval threshold requiring Commission approval of the contract. These contracts from the Res S-F solicitation are listed in Table A, below.

| Table A: Contracts in Residential Single-Family Solicitation | | | |
|---|---|----------------|-----------------|
| Contract | | Budget | Duration |
| Residential | | | |
| 1.1 | Residential Advanced Clean Energy Program | See Appendix B | 36 months |
| 1.2 | Community Language Efficiency Outreach – Direct Install | See Appendix B | 36 months |

Table B summarizes the contract requiring approval via an Advice Letter.

| Table B: General Contract Summary – Synergy Companies | | |
|--|--|--|
| 1 | Solicitation name | Residential Advanced Clean Energy Program |
| 2 | Type of program: local, regional, or statewide | Local |
| 3 | Delivery Type – specify the delivery type (i.e., direct install, upstream, midstream, or downstream). | Direct Install |
| 3.1 | A. Direct Install/Downstream Customer Targeting (Yes or No) | Yes |
| 3.2 | B. Customer Targeting brief description, if applicable. | Intelligent direct outreach with SoCalGas approved flyers and door hangers will be the primary strategy to achieve participation commitment. Outreach specialists will work with single-family neighborhood residents to promote the program benefits and acquire referrals. Customer participation data will be geo-mapped and displayed on outreach iPads to know which homes are available for participation and achieve deep saturation by city block. |
| 3.3 | C. Midstream/Upstream Market Actors receiving incentives (i.e., manufacturers, distributors, contractors, or other (specify)). | N/A |
| 4 | Market/Sector(s) | Residential |
| 5 | Customer Segment(s) | Single-Family |
| 6 | Third-Party Implementer/Subcontractor name | Eagle Systems International, Inc. DBA Synergy Companies Subcontractors: Energy Efficiency Inc., dba Synergy Companies; RMS Energy Consulting |
| 7 | Name of program or service | Residential Advanced Clean Energy Program |
| 8 | Brief description of program or service (2-3 sentences). | The SoCalGas Residential Advanced Clean Energy Program delivers energy efficiency and comprehensive |

| Table B: General Contract Summary – Synergy Companies | | |
|--|---|---|
| | | advanced clean energy solutions for single-family customers. The program delivers cost-effective, direct install measures with high therm savings potential. The program transitions to deeper comprehensive energy efficiency measures, and/or clean energy retrofit measures that can be financed by outside sources. |
| 9 | Total kWh Energy Savings (First year, net) | 2,401,436 |
| 10 | Total MW Energy Savings (First year, net) | 0.01 |
| 11 | Total therms Energy Savings (First year, net) | 252,856 |
| 12 | HTR Customers. ¹ Provide forecasted total number of HTR customer accounts (by customer segment) receiving program and total savings (net first year kWh, kW, and therms) to HTR customers from program over all years program in effect. | Program Year (PY) 2021 – 2,700 customers and 18,964 forecasted net therms PY2022 – 2,700 customers and 18,964 forecasted net therms PY2023 – 2,700 customers and 18,964 forecasted net therms |
| 13 | DAC Customers. ² Provide forecasted total number of DAC customer accounts (by customer segment) receiving program and total savings (net first year kWh, kW, and therms) to DAC customers over all years program is in effect. | PY2021 – 2,700 customers and 18,964 forecasted net therms PY2022 – 2,700 customers and 16,160 forecasted net therms PY2023 – 2,700 customers and 18,964 forecasted net therms |
| 14 | Forecasted Number of Customers Served by PY | PY2021 – 9,000 PY2022 – 9,000 PY2023 – 9,000 |
| 15 | Area(s) Served (including service territory, climate zones, cities, and/or counties, as applicable). | Across SoCalGas' service territory. |
| 16 | Program TRC ratio [Cost Effectiveness Tool (CET) output]. ³ | 1.37 |

| Table B: General Contract Summary – Synergy Companies | | |
|--|---|--|
| 17 | Program Administrator Cost (PAC) ratio (CET output) | 1.88 |
| 18 | Program \$/kWh (TRC levelized cost, CET output) | \$0.10 |
| 19 | Program \$/kWh (PAC levelized cost, CET output) | \$0.07 |
| 20 | Program \$/MW (TRC levelized cost, CET output) | N/A |
| 21 | Program \$/MW (PAC levelized cost, CET output) | N/A |
| 22 | Program \$/therm (TRC levelized cost, CET output) | \$0.61 |
| 23 | Program \$/therm (PAC levelized cost, CET output) | \$0.44 |
| 24 | Budget: Forecast budget by PY for each year contract in effect. | See Appendix B |
| 25 | Budget: Forecast expenditures by PY for each year contract in effect. | See Appendix B |
| 26 | Budget: Total Program Budget (include explanation for difference, if any, from total contract budget provided in Table A). | See Appendix B |
| 27 | Budget: If EE/Demand Response component to the program, provide dollar amount and percent of total budget dedicated to EE/DR component. | N/A |
| 28 | Measure(s) | <ul style="list-style-type: none"> • Smart Wi-Fi Thermostat • Duct Test & Seal • Pipe wrap • Low Flow Showerhead • Low Flow Aerator • Tub Spout with Thermostatic Shutoff Showerhead • High Efficiency Furnace • Tankless Water Heaters • Storage Water Heaters • Water Heater Controllers • Gas Fireplace Insert |
| 29 | Savings Determination Type (i.e., custom, deemed, Net Metered Energy Consumption, or randomized Control Trial). | Deemed |
| 30 | Savings Calculation Method(s) (Meter-Based, Deemed, Calculated, Multiple and/or Other). If Multiple or Other, please specify. | Deemed |

| Table B: General Contract Summary – Synergy Companies | | |
|--|--|---|
| 31 | Contract start date and end date. | Contract will commence for 36 months upon Advice Letter approval. |
| 32 | Program start date and end date. If program dates aren't defined by the period the program is open for customer participation, explain, and include customer participation period. | Customer Participation will begin shortly after Advice Letter approval and completion of Implementation Plan. |

Notes:

1. HTR Customers: Specific criteria were developed by staff to be used in classifying a customer as HTR. Two criteria are considered sufficient if one of the criteria met is the geographic criteria defined below. There are common as well as separate criteria when defining HTR for residential versus small business customers. The barriers common to both include:
 - Those customers who do not have easy access to program information or generally do not participate in EE programs due to a combination of language, business size, geographic, and lease (split incentive) barriers. These barriers to consider include:
 - Language – Primary language spoken is other than English; and/or
 - Geographic – Businesses or homes in areas other than the United States Office of Management and Budget Combined Statistical Areas of the San Francisco Bay Area, the Greater Los Angeles Area, and the Greater Sacramento Area or the Office of Management and Budget metropolitan statistical areas of San Diego County.
 - For small business added criteria to the above to consider:
 - Business Size – Less than 10 employees and/or classified as Very Small (Customers whose annual electric demand is less than 20kW, or whose annual gas consumption is less than 10,000 therm, or both); and/or
 - Leased or Rented Facilities – Investments in improvements to a facility rented or leased by a participating business customer.
 - For residential added criteria to the above to consider:
 - Income – Those customers who qualify for the California Alternative Rates for Energy (CARE) or the Family Electric Rate Assistance Program (FERA); and/or
 - Housing Type – Multi-family and Mobile Home Tenants (rent and lease).
2. DAC Customers: DACs are located in the most environmentally burdened California census tracts, as determined by the top 25 percent highest scores when using California Environmental protection Agency's (CalEPA's) CalEnviroScreen tool. DACs are the communities that suffer a disproportionate impact from one or more environmental hazards and are likely to experience disparate implementation of environmental regulations and socioeconomic investments in their communities.
3. TRC is for the implementer only. The TRC filed in The California Energy Data and Reporting System will include SoCalGas administrative costs.

Solicitation Process Overview

The Res S-F solicitation was conducted in a two-stage process in accordance with D.18-01-004. The two-stage solicitation comprised of a Request for Abstract (RFA) stage and a Request for Proposal (RFP) stage, with oversight from the Energy Efficiency Procurement Review Group (EE PRG) and IE. The IE for this solicitation

was The Mendota Group. Further details of the solicitation process are explained below.

1. IOU Solicitation Process

1.a) Solicitation Timeline

Stage One – Requests for Abstracts

The first stage began with an RFA, which was open to all interested parties. Potential bidders were notified of the release of the Stage One RFA through a SoCalGas posting to the Proposal Evaluation and Proposal Management Application (PEPMA) website on November 26, 2018. PEPMA is a public website, administered by the California IOUs, under the auspices of the Commission. The PEPMA notice directed bidders to access the SoCalGas sourcing platform, PowerAdvocate, to download the RFA documents and receive additional information regarding the solicitation. Respondents were required to utilize the provided abstract template to respond to the solicitation. Bidders had 35 days to develop RFA documents, which were required to be submitted to PowerAdvocate on January 7, 2019. Abstracts were evaluated by SoCalGas, with oversight by the IE, and presented to the EE PRG. SoCalGas' evaluation of the abstracts, in consultation with the EE PRG, determined which Bidders were selected to continue to Stage Two. Bidders selected to move to the next stage were notified on June 3, 2019.

The RFA was intentionally designed to be less burdensome for Bidders and aimed to foster a marketplace for innovative ideas. However, Bidders were advised to carefully adhere to the RFA's guidelines and seek to present information regarding themselves and their proposed program designs, implementation approaches, and management of the proposed program that were clear and convincing and included sufficient detail to enable SoCalGas to assess whether the program was likely to be successful in implementation.

The RFA included exhibits and attachments that, if required, must have been responded to by the Bidder and returned with the Bidder's submittal. Exhibits provided necessary supplemental information to the Bidder. Attachments were submitted by the Bidder as a response to the RFA. Additionally, several required and mandatory fields needed to be completed by the Bidder in PowerAdvocate. All required fields and schedules were identified in the RFA Checklist section of the RFA.

Determination of which Bidders would move to Stage Two was based on the evaluation criteria including the Bidder's proposed program design, implementation approach, and demonstrated ability to implement a successful program.

Stage Two – Requests for Proposals

Based on abstracts submitted in Stage One, SoCalGas selected a limited number of respondents to move to the RFP stage. The Stage Two RFP release was issued through PowerAdvocate on July 31, 2019. Bidder submissions were due through PowerAdvocate on September 11, 2019.

The RFP requested Bidders to provide more details about their proposed abstract(s), including cost-effectiveness calculations, measurement and verification (M&V) information, and other documents to assist SoCalGas in making its selection. Bidders were encouraged to maximize the program's cost-effectiveness as measured by the CPUC's TRC and PAC tests. The Bidders' Stage Two proposals were required not to offer a program that was materially different than the program described in the Bidders' Stage One abstracts. Failure to comply with this requirement would have resulted in immediate rejection and disqualification of the Bidder's Stage Two proposal.

After scoring the proposals, with oversight by the IE, and presenting to the EE PRG, SoCalGas notified the selected shortlist of Bidders on December 3, 2019. Negotiation of contracts followed, with execution of the contract requiring Advice Letter approval occurring on June 3, 2020.

1.b) Communications With Respondents

SoCalGas managed all solicitation activity through PowerAdvocate. All interested Bidders were required to register in PowerAdvocate to access the respective RFA and RFP documents, submit questions to SoCalGas, and ultimately submit their abstracts and proposals. SoCalGas hosted optional Bidder conferences for both the RFA and RFP stages. Any communication with respondents outside the Optional Bidder Conference, until negotiation with the selected Bidder, was required to be sent in the messaging tab via PowerAdvocate. No questions from respondents were to be directed to any SoCalGas employees and any direct contact with any SoCalGas employees regarding the Res S-F solicitation may have resulted in disqualification.

In addition to the formal bidding process through PowerAdvocate, SoCalGas also conducted optional Bidder conferences to explain the process and answer potential Bidder inquiries. During the RFA stage, a pre-bid conference was held on December 5, 2018. During the RFP stage, a pre-bid conference was held on August 8, 2019.

In the RFA and RFP stages process, SoCalGas held one round of questions and answers (Q&A) in each stage, allowing respondents to ask questions about the specific solicitation.

Over the course of the Res S-F solicitation, SoCalGas received a total of 12 questions from the bidding community. In the RFA stage, overarching themes included clarification on budget, subcontractors, and licensing requirements. In the RFP stage,

overarching themes included Diverse Business Enterprises (DBE), insurances, budgets, CET, and energy saving determinations.

1.c) Independent Evaluator Participation

The Res S-F IE, The Mendota Group, was involved in the preparation and review of the RFA and RFP Packages. The IE reviewed all Bidder communication prior to SoCalGas issuance, including Bidder shortlisted communications, Bidder webinar notifications, Q&A responses, CET technical review bidder feedback, and finalist notifications. Following RFA and RFP release, the IE reviewed the respective optional Bidder conference presentation materials and attended the optional Bidder conferences. The IE also reviewed the composition of the scoring team prior to the commencement of the evaluation period. Once Bidder submittals were received, the IE conducted independent scoring of all Bidder abstracts and proposals and participated in the calibration and shortlist meetings. The IE also monitored the entire contract negotiation process.

The RFA and RFP scoring processes consisted of the following key steps with IE oversight:

- A. Pre-screening:
 - RFA and RFP: After the bids were due, SoCalGas Supply Management conducted a Threshold Assessment to see if all required documents were submitted on-time. SoCalGas provided the results of the threshold review to the assigned IE for IE's agreement/feedback.
 - RFP: A CET technical review was conducted by SoCalGas to identify any discrepancies in the assumptions. Meanwhile, an eligible programs criteria review was conducted by SoCalGas, based on the program eligibility criteria identified in the RFP. SoCalGas provided the results of both to the assigned IE for IE's agreement/feedback.
 - RFP: An RFA/RFP consistency review was conducted by SoCalGas to confirm whether the proposal was significantly different from the abstract, based on the criteria identified in the RFP. At the end of the evaluation period, the assessment was presented for further discussion with the IE.
- B. Scoring Training: SoCalGas conducted scoring team training to help inform the scoring team about the scoring process and answer any immediate questions. The IE reviewed the training materials and guidance document; and observed the scoring training meeting.
- C. Individual Scoring: SoCalGas distributed the RFA and RFP bid submissions that passed pre-screening to the scoring team and IE, with a due date/time. The IE conducted "shadow scoring" to better understand the way the scoring team was conducting its scoring and to help ensure the results were fair. IE scores were not part of SoCalGas' official scores.

- D. Calibration Meeting: The meeting was held after individual scoring was completed. IEs also participated in calibration meetings and offered observations.
- E. Shortlists Meetings: The SoCalGas scoring team, including SoCalGas management and IE, met to discuss the results of the bids and recommendations.
- F. Contract Negotiations: The IE oversaw the entire negotiation process and was included on all e-mail communications and invited to observe all meetings between SoCalGas and contractors.

The following section summarizes IE recommendations and input. The full IE report is provided in Attachment A.

Consensus/Calibration Scoring Meetings:

- SoCalGas solicitation team and reviewers have dedicated considerable time and effort to reviewing abstracts and seeking to ensure that the abstracts are fairly reviewed.
- The process has been fair and discussions among reviewers to resolve differences have been respectful and thorough.
- SoCalGas' process concentrates on discussing those scoring items for which there is a divergence of two or more points among scorers – consensus is achieved when that gap has narrowed to less than two points among the most divergent scorers.
- Used average of reviewers' scores to arrive at final Bidder's score in each category.
- Facilitators sought to keep reviewers consistent in their approaches to scoring individual items and focused on wording of the criteria as it applied to each abstract.
- SoCalGas recognized that certain scoring items (items based simply on math - \$/therm, need only be reviewed by a specific member of the scoring team (e.g., Engineering) and not all scorers to speed the scoring process.

Shortlist Process:

- SoCalGas provided ample time for IE review of final scores and comparison with The Mendota Group scores.
- It remains unclear how the IE's scores should factor into the IOU's shortlist process. SoCalGas' current approach is to, following consensus meetings, compare IOU's and IE scores, determine what a likely shortlist might look like based on each entity's scores and highlight any significant areas of potential disagreement. SoCalGas then asks the IE to review our observations and provide a response.
- SoCalGas felt strongly about its recommendations and did not change its conclusions. IE considered this SoCalGas' prerogative.

- Opportunities for Improvement:
 - Scoring training before receipt of abstracts (to include IEs) helps inform reviewers about process, Solicitation Team's recommended approaches to scoring, and ensures that scoring team is on the same page. Scoring guidelines (which SoCalGas provided) help further align scorers as do one or more mid-process check-ins to address any questions scoring team members may have. IE recommends including IEs in any future scoring trainings and mid-process check-ins and are very pleased that SoCalGas incorporated such a training into its Round 2 solicitation process.
 - Establish a clear process for development and review of shortlist recommendations.
 - IE believes it would be useful to establish a clearer process for IE participation in the shortlist process. It remains unclear how SoCalGas plans to approach the shortlist process for future rounds, particularly how and when the IE will be involved, who from SoCalGas should be part of the shortlist discussions with the IE present, and what would work best to ensure that the solicitation process is not slowed down.

RFP Stage:

- RFP documents over the last month, the IEs have been actively engaged with SoCalGas in reviewing RFP template documents in preparation for EE PRG review and distribution to bidders selected to advance to the RFP Stage of the Res S-F and Residential Multifamily solicitations. SoCalGas assigned individual IEs (Lead IEs) to review and provide edits to specific documents within the RFP package, with all IEs then reviewing the product of these efforts. SoCalGas assigned The Mendota Group to review the following:
 - RFP Scorecard (with The Apex Consulting Group)
 - CET Tool
 - Allowable Costs
 - Standard and Modifiable Terms & Conditions
 - SoCalGas Additional Terms & Conditions
 - Customer Privacy form
 - Proposal Acknowledgment Form / Bidder Checklist
 - Information Security Requirements
- In general, SoCalGas' active project management of the process ensured that IE efforts were well-coordinated with those of SoCalGas and have resulted in a very thorough review of the relevant documents and a very solid RFP package.
- Observation: The "divide and conquer" approach to reviewing solicitation template documents as a team seemed to work well. Assigning Lead IEs to review specific documents was a good approach, noting that SoCalGas' active project management made this possible as did the ample amount of time afforded IEs to conduct their reviews.

- Recommendation: IE suggests that SoCalGas employ a similar approach to development/revisions to future solicitation documents, to include RFAs for additional rounds and contract documents.

RFP Stage:

- Evaluating Proposal Cost Effectiveness
 - Recommendation: SoCalGas incorporated Public Advocates Office's (Public Advocates) suggested approach to relative scoring, which IE agrees was a good approach. SoCalGas has not yet provided the Annual Budget Advice Letter (ABAL) submitted TRC values for the Single Family and Multifamily programs. IE strongly believes this information should be incorporated into the scorecard before the scoring process begins.
- Evaluating Bidder Approaches to Compensation
 - Recommendation: Public Advocates recommended that SoCalGas use relative scoring to evaluate bidder approaches to compensation (see Public Advocates Recommended Scoring Rubric for RFPs). IE disagrees with this approach and suggested that SoCalGas' approach (assigning scoring bands to different approaches to compensation) was preferable. IE discussed this issue with Public Advocates and believes that Public Advocates now agrees with this conclusion.
- Support Services
 - Recommendation: SoCalGas adopted Public Advocates' "Option 3" as presented in the June 24, 2020 document ("Public Advocates Office guidance on IOU Support Services"). SoCalGas removed Account Executive (AE) services from the Single-Family and Multifamily RFPs because AEs do not serve these sectors but included other enhanced services that would be further discussed during contract negotiations. Bidders are instructed to submit proposals based on a "self-serve" approach but indicate in their proposals the enhanced services in which they are interested and the scope of those services.
 - IE recommended that SoCalGas refine and more clearly document the process by which support services will be incorporated into contracts. Support Services that Bidders requested include: Energy Usage Automated Data Transfer, Marketing support, and Data Analytics. SoCalGas has more clearly communicated to contractors and incorporated into contracts its Support Services offerings. The residential contracts only include Basic Support Services; and, therefore, the question of costs and terms associated with Enhanced Support Services is not part of the contracts.

- IE still encourages SoCalGas to flush out how this would be handled in contracting before the contracting process begins because: 1) this could easily bottleneck the contracting process; and 2) terms and conditions need to be clearly defined to ensure fair treatment of Bidders and ratepayers. Without clearly defined parameters in that, it introduces additional variables to a process that is already lengthy and difficult to manage.

Contract Negotiations:

- SoCalGas has successfully concluded negotiations with the selected contractors.
- Contract negotiations have generally proceeded smoothly, both in terms of the process and in terms of constructive discussions with SoCalGas and contractors. In brief, IE has been very impressed with the effort put forward by the SoCalGas team, its willingness to listen to IE feedback, its clear communications with Contractors (and the IE), and its fair treatment of Contractors.

2. Marketing and Outreach

To increase public and potential Bidder awareness of the Res S-F solicitation process, SoCalGas posted a notification to the California Energy Efficiency Coordinating Committee (CAEECC) website and hosted a webinar on August 29, 2018 in preparation for the Rolling Portfolio Program solicitations. The webinar included information regarding RFAs. SoCalGas also posted a notice on the CAEECC website and conducted a Bidders' conference with potential Bidders on December 5, 2018 at SoCalGas' Energy Resource Center in Downey, California.

Furthermore, SoCalGas announced the RFA event on the PEPMA website, which is administered by California's four IOU's, under the auspices of the CPUC. The PEPMA announcement directed the Bidders to PowerAdvocate, SoCalGas' sourcing platform.

3. Solicitation Event Schedule

The event schedule for the solicitation is presented in Table C.

| Table C: Solicitation Event Schedule | | |
|---|--|-------------|
| Activities | | Date |
| Stage 1 RFA Events | | |
| 1 | RFA issued | 11/26/2018 |
| 2 | Pre-Bid Conference (optional) | 12/5/2018 |
| 3 | Bidder's deadline to submit written questions | 12/10/2018 |
| 4 | IOU response due to bidder questions | 12/17/2018 |
| 5 | Bidder's abstract submission due | 1/7/2019 |
| 6 | Shortlist notification | 6/3/2019 |
| Stage 2 RFP Events | | |
| 1 | RFP issued | 7/31/2019 |
| 2 | Pre-Bid Conference (optional) | 8/8/2019 |
| 3 | Bidder's deadline to submit questions to IOU | 8/13/2019 |
| 4 | Bidder's deadline to submit CET to IOU for preliminary review (optional) | 8/13/2019 |
| 5 | IOU responses due to bidder questions | 8/28/2019 |
| 6 | IOU responses due to preliminary CET review | 8/28/2019 |
| 7 | Bidder's proposal submission due | 9/11/2019 |
| 8 | Bidder interviews conducted by IOU | N/A |
| 9 | Bidder shortlist notification | 12/3/2019 |
| 10 | Contract negotiations and execution | 6/3/2020 |
| 11 | Tier 2 Advice Letter submission | 10/12/2020 |

4. Independent Evaluator

As required by D.18-01-004, SoCalGas selected an IE for oversight and consultation throughout the process. The IE for the Res S-F solicitation was The Mendota Group.

A full description of the IE's involvement, recommendations, and input is provided in Section 1 - IOU Solicitation Process, above. Please see Appendix A in Attachment A for the IE Report.

The IE provided findings to the EE PRG on:

- Final RFA Package - 11/6/18
- RFA Evaluation Results and Shortlist Recommendations - 3/5/19
- Final RFP Package - 7/2/19
- RFP Evaluation Results and Shortlist Recommendations - 11/5/19
- Contract Update report-outs - 3/3/20, 4/7/20, 5/5/20

Transition Plan from Pre-Existing Program to New Program

The Residential Advanced Clean Energy Program will replace SoCalGas' existing third-party implemented single-family direct install program, Residential Direct Install ("RESDI"), SCG3820. The Residential Advanced Clean Energy Program "Effective Date" will be the date that the CPUC issues its written approval ("Written Approval") of the Advice Letter, which will also begin shutdown activities for the current RESDI program. Shut down activities include direction that all services must be complete, all projects and measures installed, all incentives paid, along with the issuance of a Final Program Report.

Confidentiality

Due to the confidential nature of the information in Appendices A-E of Attachment A, a declaration requesting confidential treatment is included. The unredacted version of Appendices A-E of Attachment A is only being provided to Energy Division under the confidentiality provisions of General Order (GO) 66-D, Section 583 of the Public Utilities Code, and D.17-09-023.

All information marked for redaction is subject to non-disclosure agreements, confidentiality agreements, and/ or other confidentiality restrictions. Such information includes:

- Vendor bid and pricing information (including rates and invoices)
- Customer and/or vendor proprietary information

Please see attached declaration of confidentiality in support of these designations.

Protest

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this Advice Letter, which is November 1, 2020. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

A copy of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). Due to the COVID-19 pandemic and the shelter at home orders, SoCalGas is currently unable to receive protests or comments to this Advice Letter via U.S. mail or fax. Please submit protests or

comments to this Advice Letter via e-mail to the address shown below on the same date it is mailed or e-mailed to the Commission.

Attn: Ray B. Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-mail: ROrtiz@socalgas.com

Effective Date

SoCalGas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. This submittal is consistent with D.18-01-004. Therefore, SoCalGas respectfully requests that this submittal be approved on November 11, 2020, which is 30 calendar days from the date submitted.

Notice

A copy of this Advice Letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list in R.13-11-005 and A.17-01-013. Address change requests to the GO 96-B service list should be directed via e-mail to tariffs@socalgas.com or call 213-244-2837. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or via e-mail at process_office@cpuc.ca.gov.

/s/ Ronald van der Leeden
Ronald van der Leeden
Director – Regulatory Affairs

Attachments



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ATTACHMENT A

Advice No. 5709

Energy Efficiency Third-Party Solicitation

Appendix A - Energy Efficiency Independent Evaluator's Final Report
(Redacted)

Appendix B - Solicitation Process Overview (Redacted in its entirety)

Appendix C - Selection Worksheets (Redacted in its entirety)

Appendix D - Third-Party Contract Summary (Redacted in its entirety)

Appendix E – Contract (Redacted in its entirety)

**BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION OF ERIN BROOKS
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS
PURSUANT TO D.17-09-023**

I, Erin Brooks, do declare as follows:

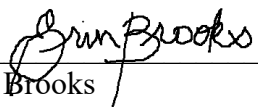
1. I am Erin Brooks, Customer Programs Policy & Support Manager in the Customer Programs and Assistance Department of Southern California Gas Company (“SoCalGas”). I was delegated authority to sign this declaration by Jeffery Walker, in his role as Vice President of Customer Solutions at SoCalGas. I have reviewed the confidential information included within SoCalGas’ Energy Efficiency Residential Single Family Third-Party Solicitation Advice Letter regarding the *CONFIDENTIAL Appendices A-E* submitted concurrently with this Declaration. I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decision (“D.”) 17-09-023 and General Order (“GO”) 66-D to demonstrate that the confidential information (“Protected Information”) provided in the Response is within the scope of data protected as confidential under applicable law.

3. In accordance with the narrative justification described in Attachment A, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 12th day of October 2020, at Los Angeles.



Erin Brooks
Customer Programs Policy & Support Manager

ATTACHMENT A

SoCalGas Request for Confidentiality of its Residential Single-Family Energy Efficiency Third-Party Solicitation Advice Letter Appendices A-E

| Location of Protected Information | Legal Citations | Narrative Justification |
|---|---|--|
| <p>All information marked for redaction in the documents provided to SoCalGas by bidders are subject to non-disclosure agreements, confidentiality agreements, and/ or other confidentiality restrictions. Such information includes:</p> <ul style="list-style-type: none"> • Vendor bid and pricing information (including rates and invoices) • Customer and/or vendor proprietary information | <p>CPRRA Exemption, Gov't Code § 6254(k) ("Records, the disclosure of which is exempted or prohibited pursuant to federal or state law")</p> <ul style="list-style-type: none"> • See, e.g., D.11-01-036, 2011 WL 660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program vendor is proprietary and commercially sensitive and should remain confidential), • Valley Bank of Nev. v. Superior Court, 15 Cal.3d 652, 658 (1975) (financial information is protected--especially of non-parties) | <p>Based on input received by bidders, and based on SoCalGas' concurring position, the produced documents are proprietary, and represent and contain proprietary, commercially sensitive, trade secret, and other content not intended for public disclosure.</p> <p>All bidders engage in work product that is intended only for access by designated members. Public disclosure would pose potential negative impacts to bidder.</p> |

Appendix A

Energy Efficiency Independent Evaluator's Final Report (Redacted)

The unredacted version is only being provided to Energy Division under the Confidentiality and Protected Materials Provisions Pursuant to Public Utilities Code Section 583, General Order 66-D, and D.17-09-023

Energy Efficiency Independent Evaluator's Final Report

Southern California Gas Company

Local Residential Single Family Solicitation

Contract: Synergy Residential Advanced Clean Energy Program

Prepared by:



Independent Evaluator

October 6, 2020

Southern California Gas Company
Local Residential Single Family Solicitation

Table of Contents

| | |
|---|----|
| 1. Background..... | 1 |
| 2. Solicitation Overview | 2 |
| 3. Solicitation Outreach and Bidder Response..... | 8 |
| 4. RFA and RFP Design and Materials Assessment..... | 10 |
| 5. Bid Evaluation Methodology Assessment | 11 |
| 6. Final Bid Selection Assessment | 16 |
| 7. Assessment of Selected Bids | 18 |
| 8. Reasonableness of Contracting Process | 23 |
| 9. Conclusion..... | 25 |

Executive Summary

Southern California Gas Company (SoCalGas or the Company) conducted a solicitation to select one or more third-party contractors to implement local energy efficiency programs targeted at the Residential Single Family segment. The Solicitation enabled SoCalGas to comply with the requirements of California Public Utility Commission’s (CPUC) Decision 16-08-019 and to fulfill commitments as presented in the Company’s Business Plan and Solicitation Plan. Although the solicitation process was considerably longer than originally anticipated, it resulted in selection of three complementary programs to serve the Company’s Residential Sector customers. This report includes a discussion of the overall solicitation process but focuses on SoCalGas’ selection of one of these programs, Synergy Companies’ Residential Advanced Clean Energy program.

SoCalGas conducted the solicitation fairly, transparently and without bias. As this was one of the first solicitations launched in compliance with D. 16-08-019, the Company needed to create new processes, develop template documents, and navigate interactions with stakeholder groups. Despite these challenges, the solicitation was successful in procuring programs that will help meet its D. 16-08-019 obligations, implement its Business Plan, and provide energy efficiency benefits to its customers and the State.

As described in the program’s contract, Synergy’s program will provide a “comprehensive advanced clean energy solution for single-family customers. The advanced clean energy path begins with the delivery of cost-effective therm-rich direct install measures that transitions to an advanced clean energy opportunity for the single-family customer that can be financed by outside sources. The Residential Advanced Clean Energy Program leverages IOU electric, municipal electric, and local agency clean energy single-family opportunities offering, in addition to natural gas clean energy, electric, and carbon emission reduction clean energy solutions.”

A summary of the program’s goals as incorporated into its contract follow.

| Table 1: Contract Summary | |
|---|-------------|
| Item | Amount |
| Contract Term | 3 years |
| Budget | \$9,000,000 |
| Net Therms (First Year) | |
| Net Therms (Lifecycle) | |
| Total Resource Cost test (TRC) | |
| Program Administrator Cost test (PAC) | |
| Disadvantaged Communities (% of savings from) | |
| Hard-to-Reach Customers (% of savings from) | |

1. Background

This Independent Evaluator Final Solicitation Report (Report) provides an assessment of the Southern California Gas Company's third-party energy efficiency (EE) Single Family Residential program solicitation process and associated outcomes. The Report is provided by the assigned Independent Evaluator (IE) for the solicitation, The Mendota Group, LLC. The Report is intended to reflect and provide a record of the entire solicitation in compliance with California Public Utilities Commission (CPUC) direction.¹

In August 2016, the CPUC adopted Decision 16-08-019, which defined a “third-party program” as a program proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator. In January 2018, the CPUC adopted Decision 18-01-004 directing the four California IOUs — Pacific Gas & Electric (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company — to ensure that their EE portfolios contain a minimum percentage of third-party designed and implemented programs by predetermined dates over the next three years. In October 2019, SoCalGas (and the other IOUs) submitted a request to the CPUC for an extension of this requirement because of the additional time needed to establish new solicitation process protocols and procedures. On November 25, 2019, the CPUC granted the IOUs an extension of time to meet the minimum percentage thresholds as shown below:²

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

In response to the CPUC requirement, the IOUs started releasing solicitations in 2018 and expect to continue releases through at least 2021 with the desired result of contracting with third-parties to propose, design, implement, and deliver new EE programs. According to the CPUC, “All utilities should utilize a two-stage solicitation process for third party programs unless there is a specific schedule-related reason only one stage is possible. The two-stage process should be the predominant approach.”³

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

¹ Decision 18-01-004, OPN 5.d.

² 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.

³ Decision 18-01-004, COL 5, p. 57.

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

2. Solicitation Overview

2.1 Overview

This Final Solicitation Report covers the activities associated with the Local Residential Single Family solicitation process from development of the RFA through execution of the resulting third-party contracts. The RFA stage of the solicitation was first described in the IEs' June 2019 Semi-Annual Report, and most of the RFP stage was covered in the December 2019 Semi-Annual Report. It should be noted that SoCalGas ran its Multifamily and Single Family solicitations at the same time, used similar template documents, and followed similar processes. Therefore, there will be many similarities between this Single Family Final Solicitation Report and the forthcoming report for the Multifamily solicitation.

This Single Family Solicitation resulted in two contracts. This Final Solicitation Report covers the solicitation as a whole, and one of the two contracts selected to serve Residential Single Family customers. The contract is with Eagle Systems International, Inc. DBA Synergy Companies (Synergy) for its Residential Advanced Clean Energy program. Due to the size of its budget (greater than \$5 million), this contract requires a Tier 2 Advice Letter filing. Therefore, per Ordering Paragraph 5 of CPUC D. 18-01-004, this report will be attached to SoCalGas' Advice Letter filing that seeks Commission approval for its contract. We will also submit the report to SoCalGas' PRG.

a. Solicitation Scope

SoCalGas' Residential Single Family Solicitation encouraged the exploration of all relevant delivery channels to produce a cost-effective program to maximize natural gas, electric, and water efficiency savings for residential single-family customers. According to the solicitation description, utilization of various delivery channels, such as (but not limited to) direct install, can facilitate the delivery of EE retrofits to reduce energy and water use, resulting in comprehensive EE savings from the residential single-family segment. Although traditional programs have proven to be successful, the legislative and regulatory mandate to double the EE target requires more aggressive and comprehensive efficiency upgrades.

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

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

The solicitation anticipated that the program would be available to all residential single-family customers throughout SoCalGas’ service territory but that programs would also include the flexibility to target specific customers based on criteria such as specific climate zones, income levels, transmission/distribution system needs, hard-to-reach (HTR) customers, and members of disadvantaged communities (DAC).

b. Solicitation Objectives

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

2.2 Timeline

Table 2 provides the Single Family Solicitation’s key milestones.

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

⁴ PowerAdvocate is SoCalGas’ online solicitation tool.

| Table 2: Key Milestones | |
|--|-----------------------------|
| Milestones | Completion Date |
| Shortlist Meetings Held | October 21, 2019 |
| Shortlist Presented to PRG | November 5, 2019 |
| Contracting & Implementation: Synergy | |
| Selected Bidder Notified | January 22, 2020 |
| Advice Letter Approved | Expected: December 2020 |
| Contract Effective Date | Upon Advice Letter Approval |
| Implementation Plan Due | Expected: January 2021 |

The overall solicitation timeline experienced a significant delay relative to the schedule IOUs published on December 31, 2018. That schedule envisioned program launch by the fourth quarter of 2019. Although delays were due to a variety of factors, most prominent was that this solicitation was one of the first conducted to comply with CPUC Decision 16-08-019. As such, SoCalGas needed to develop new solicitation template documents, navigate a new stakeholder process that involved incorporating a Procurement Review Group and Independent Evaluators into the process, and run simultaneous solicitations to enable the Company to procure programs with sufficient budget to meet the CPUC’s third-party contracting requirements.

2.3 Key Issues and Observations

Key issues and observations from each stage of the solicitation are identified in Table 2 below. In brief, although both stages ran fairly smoothly, they were marked by issues related to establishing the framework for conducting third-party solicitations. Though it was a fairly standard solicitation process, issues arose associated with ensuring that IEs were able to observe aspects of the solicitation process (e.g. shortlist and contracting decisions), understanding how best to educate third parties on using the CPUC’s online Cost Effectiveness Tool (CET), and utilizing the scorecard as the basis for program selection. As previously discussed, this two-stage process was complicated by the addition of a PRG and IEs and the IOU’s need to address input. Although we believe this input improved the process and contracting outcomes, it did add time and complexity to the process.

| Table 3: Key Issues and Observations | | | |
|--------------------------------------|--|--|--|
| Topic | Key Observation | Potential Remedy | Outcomes/Lessons Learned |
| RFA Stage | | | |
| Attracting Bidders | In general, there are challenges associated with attracting and engaging bidders to narrowly defined customer segments that historically have been difficult to serve cost-effectively, especially when offered as a gas-only program. This issue is not unique to SoCalGas. | SoCalGas should consider creative ways to engage potential bidders beyond the traditional avenues currently utilized. | In later solicitation rounds, SoCalGas has incorporated different approaches to attracting bidders, including more active outreach, consolidating segments to create larger scopes (and higher budgets), and streamlining bid documents. |
| Reviewer Training | SoCalGas developed scorer guidelines, which were very good, and held scorer training, but did not initially include the IE in the training. | Include the IE in reviewer trainings | Substantial improvements occurred between Rounds 1 and 2, and the IEs have been included in reviewer trainings. |
| Reviewer Support | SoCalGas did not provide reviewers a clear way to ask questions during their review of bids. This can reduce the quality of reviews because reviewers may not score bids consistently. | Provide reviewers a clear way to dialog with solicitation team during scoring process and to document outcomes. SoCalGas did provide reviewers a Scorecard Guide which helped improve scoring consistency. | SoCalGas has since incorporated review team check-ins into its solicitation process. |
| Shortlisting Approach | SoCalGas guidelines included a selection of possible ways to shortlist rather than a preferred approach. | Before any shortlist discussion, establish a clear basis for advancing bidders to the next stage (overall score cutoff, natural break among scores, etc.). | SoCalGas has since adopted a natural break approach to shortlisting. |
| Shortlisting Process | For the Single Family and Multifamily solicitations, SoCalGas did not involve the IE in its shortlisting decisions to advance bidders from RFA to RFP. but instead presented a “management-reviewed” shortlist to the IE for feedback. | The IE should be invited to observe discussions and decisions that develop the shortlist to help ensure that there is no bias involved in the decision-making process. | SoCalGas corrected this approach for subsequent solicitations. |

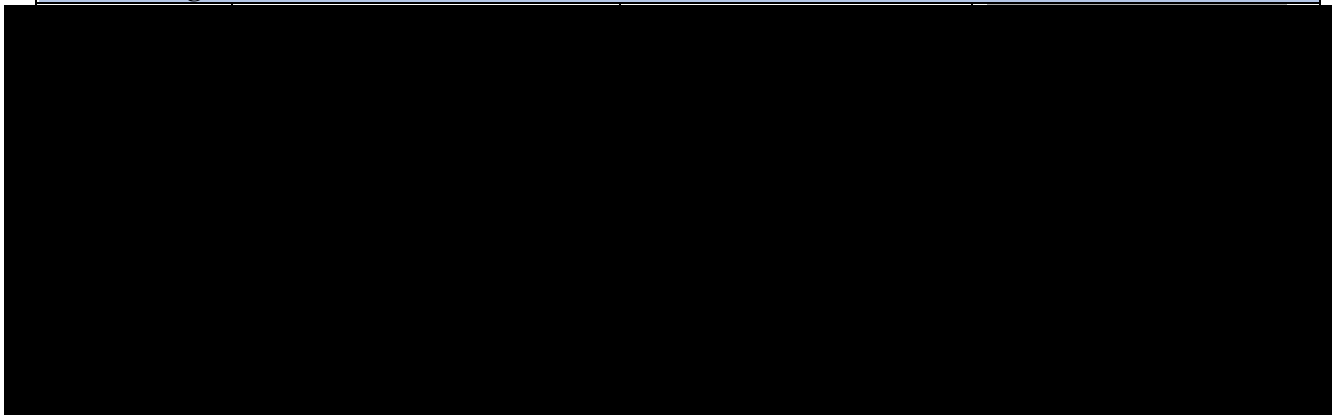
Table 3: Key Issues and Observations

| Topic | Key Observation | Potential Remedy | Outcomes/Lessons Learned |
|-------------------------|---|---|--|
| RFP Stage | | | |
| CET Training & Feedback | <p>SoCalGas provided a CET Training as part of its Bidder Conference and the training seemed well-received by bidders.</p> <p>SoCalGas provided feedback to bidders on whether their CET inputs were correct, yet CETs still included errors.</p> | <p>Although SoCalGas incorporated an opportunity to provide bidders direct feedback about errors in their CETs, since errors remained it would be good to revisit ways that the CET aspect of the process could be further improved.</p> | <p>The CET training, review, and feedback process used by SoCalGas in this solicitation was unbiased and helpful for bidders, but more likely needs to be done. This burden likely shouldn't fall on a single IOU but should be a collective effort among IOUs to raise the level of bidder knowledge about CETs and cost effectiveness assumptions.</p> |
| | | | |
| Review Team Diversity | <p>The members of the review team for this solicitation were primarily pulled from the Residential Customer Programs team.</p> | <p>SoCalGas should seek to diversify its team of reviewers to ensure thorough, complete and unbiased review of bidder proposals.</p> | <p>For future solicitations, SoCalGas should include reviewers from outside of the immediate group that will administer the program.</p> |
| Review Team Overlap | <p>Certain elements of the scorecard were only scored by a single reviewer. In addition, only the IE scored all sections of each proposal. It is important for someone on the review team to have the broad view of the entire proposal.</p> | <p>SoCalGas should either seek to include additional reviewers or incorporate section overlap (all reviewers review multiple sections to ensure more than one set of eyes is reviewing each element). In addition, at least one person from the review team should be assigned to score all sections of the proposal.</p> | <p>Part of review team design should aim to ensure that each section is reviewed by more than one individual, and IOUs should ensure that at least one reviewer is responsible for reviewing all sections of the proposal.</p> |

Table 3: Key Issues and Observations

| Topic | Key Observation | Potential Remedy | Outcomes/Lessons Learned |
|----------------------|---|--|--|
| Shortlisting Process | IEs were not involved in the internal discussions that formed the draft shortlist to advance bidders from RFP to Contracting, but instead were presented with the shortlist for discussion after SoCalGas met internally. | We recommended that SoCalGas involve IEs in discussions (meetings, emails, etc.) during which bidder shortlist recommendations are developed so that the IE better understands the IOU's logic for selecting bidders to advance and ensure that these decisions are reasonable. Energy Division agreed that IEs should be invited to observe all shortlisting discussions. | SoCalGas committed to ensure that this approach was part of its process and has incorporated into other solicitations. |

Contracting



| | | | |
|------------------|--|--|--|
| Delays | There was a significant delay from the end of the RFP stage to when the utility provided draft contract templates for IE review. | SoCalGas ultimately provided the contract templates for IE review in mid-February | It is important for the IOU to adhere to timelines. |
| Support Services | At the point of moving to Contracting, the utility had not clarified and documented how support services would be incorporated into contracts. | We recommended that SoCalGas refine and more clearly document the process by which support services are incorporated into contracts. Support Services that bidders requested include: Energy Usage Automated Data Transfer, Marketing Support, and Data Analytics. | SoCalGas incorporated detail about Support Services into its contract templates. |

3. Solicitation Outreach and Bidder Response

3.1 Bidder Response to Solicitation

SoCalGas’ outreach strategy focused on two primary methods of informing and educating bidders about the solicitation opportunity, via the web and email.

- Web-based: SoCalGas set-up a dedicated Third-Party Energy Efficiency Solicitations web site, Energy Efficiency Third Party Solicitations, which includes a solicitation schedule, links to training materials and the Company’s Business Plan, information about the Procurement Review Group and Independent Evaluators, and utility contact information.⁵ Solicitation Notifications were posted to the Proposal Evaluation & Proposal Management Application (PEPMA), a dedicated IOU site for third-party solicitations.⁶ Solicitation information was also posted to the California Energy Efficiency Coordinating Committee (CAEECC) web site.⁷
- Email: SoCalGas sent messages to over a thousand contractors registered in PEPMA and sent messages directly to a list of bidders registered with SoCalGas’ Supply Management organization.

The IE was not actively involved in solicitation outreach but we tracked the progress of the outreach efforts to assess whether they were sufficient. One of the key indicators for successful outreach is the response from the bidder community. This solicitation received a good response from the bidder community, indicating that the outreach efforts were appropriate. With respect to fairness, transparency and equity, SoCalGas was fair in its selection of bidders who received information about the bid and transparent in terms of the ways the utility sought to engage potential bidders. Table 4 provides statistics on the bidder response to the Single Family Solicitation.

| Table 4: Solicitation Response | |
|--|---------|
| Item | Number |
| Abstracts Expected | Unknown |
| Abstracts Received (including Disqualified/Failed) | |
| | |
| Proposals Invited | |
| Proposals Received (including Disqualified/Failed) | |
| | |
| Bidders Advanced to Contracting | |

3.2 Bidder Conferences and Q&A

At the RFA stage, SoCalGas held a joint bidder conference for the Single Family and Multifamily Solicitations. The conference was broadcast live via YouTube, which did not allow for bidders to

⁵ <https://www.socalgas.com/regulatory/efficiency>

⁶ <https://pepma-ca.com/Public/Default.aspx>

⁷ <https://www.caeecc.org/third-party-solicitation-process>

⁸ [Redacted]

ask questions during the actual conference. Bidders were able to submit questions for a period of time after the web conference. SoCalGas requested that attending bidders register their names and identify themselves in the YouTube chat window. As conveyed to SoCalGas, although we believe that it is good for the IOU to know who has participated in optional web conferences, we believe that web-based participants (and their questions) should be anonymous. This approach better facilitates a robust question and answer session and helps maintain the competitive process by respecting a bidder’s interest in remaining anonymous.

For the RFP, SoCalGas again conducted a combined Single-Family and Multifamily bidder conference but used Skype for audio and visual and the Sli.do platform for bidders to ask questions in real time. Sli.do allowed bidders to “up vote” questions in order to elevate questions in importance or indicate that more than one viewer had the same question. SoCalGas also provided bidders a recording of the conference after it was completed.

SoCalGas responded to the bidders’ questions at both the RFA and RFP stages in a complete, accurate, and timely manner consistent with their solicitation schedules. At the IE’s suggestion, SoCalGas added a second round of questions during the RFP stage to allow bidders more opportunities to request clarifications.

Table 5 provides statistics on bidder response to the Single Family solicitation bidder conferences.

| Table 5: Bidder Conferences | |
|----------------------------------|------------------|
| Item | Date/Number |
| RFA Bidder Conference | December 5, 2018 |
| Number of RFA Questions Received | 3 |
| RFP Bidder Conference | August 8, 2019 |
| Number of RFP Questions Received | 9 |

3.3 Solicitation Design Assessment

SoCalGas’ solicitation design—to segment the Residential Sector into Single-Family and Multifamily Solicitations—met the program portfolio need as presented in the IOU’s CPUC-approved Business Plan and Solicitation Plan. The solicitation requested that bidders propose programs that would help achieve SoCalGas’ savings goals and applicable portfolio and sector-level metrics as incorporated into the Annual Budget Advice Letter. Specifically, the Single Family solicitation sought to obtain program ideas to address various segment barriers identified in the Business Plan, with a focus on: simple/low-cost EE retrofits, incorporating customer copays for comprehensive/higher-cost EE retrofits, leveraging available financing options to fund project copays, and including ways to use local contractors and vendors.

The Residential Single-Family Solicitation was conducted as a straightforward two-stage process (RFA followed by an RFP), consistent with the requirements of D. 18-01-004 and SoCalGas’ Solicitation Plan. The IOU actively involved both the PRG and IE at every stage.

4. RFA and RFP Design and Materials Assessment

4.1 RFA Design Requirements and Materials

The RFA stage of the SoCalGas' Single Family solicitation included 12 documents: the RFA itself, three attachments for the bidder to populate, and eight exhibits for bidder reference. We believe this was a reasonable and manageable number of documents in the RFA packet.

The RFA primarily used Microsoft Word as the format for presentation of bid information with the lone exception use of a Microsoft Excel spreadsheet in which bidders provided high-level descriptions of proposed measures and associated technical assumptions (but not detailed cost effectiveness information). We considered this an appropriate format for SoCalGas' RFA solicitation documents and supported the IOU's request to bidders for general measure and cost effectiveness information as this can ensure that bidders are aware of the requirements for detailed cost effectiveness information if they advance to the RFP stage.

SoCalGas took a novel approach to developing its RFA solicitation template documents by involving the entire IE pool (including those IEs who were not assigned to solicitations in the initial round). Although this likely slowed the process to develop documents, it offered the IOU an opportunity to leverage insights from its entire pool and reduced the required time to develop RFA solicitation packages for subsequent solicitations. As part of our review, the IEs sought to ensure that RFA documents presented requested information clearly to bidders and the solicitation informed bidders about expectations regarding what would be required for the RFP phase and in contracting.

4.2 RFP Design Requirements and Materials

SoCalGas' RFP included a total 29 documents, including 13 attachments to be completed by the bidder, and 15 exhibits for bidder reference. After release, SoCalGas amended the RFP instructions to provide some small clarifications.

Similar to the RFA, SoCalGas relied upon Microsoft Word as the primary means by which bidders would present their bid information. Bidders were asked to incorporate into a Microsoft Excel spreadsheet information about their proposed approach to compensation. We supported this formatting approach although recommended that SoCalGas seek to collect the more quantitative and tabular information in the spreadsheet format. SoCalGas subsequently adopted this balanced approach in revisions to its solicitation templates.

We believe that the RFP packet was designed well in terms of the instructions and guidance provided to bidders and the Proposal Guide/Template offered for bidder response. However, as discussed with the IOU and PRG, the IEs suggested that SoCalGas reduce the number of documents and the quantity of information provided by SoCalGas as part of its RFP packet for future solicitations. The excessive volume of information can be burdensome for bidders as they develop proposals. SoCalGas was responsive to this request and, as a process improvement, re-engaged IEs to develop a revised and streamlined set of RFP templates for solicitations released in mid-2020.

4.3 Response to PRG and IE Advice

Early in the RFA process, SoCalGas introduced the use of a spreadsheet-based tracker to compile and track comments from internal staff, the IE, and the PRG. We viewed this as a very good way of cataloguing and responding to comments. Using the tracker, we, the other IEs, and members of the PRG provided a substantial number of proposed changes and suggestions to documents and process. In total, IEs proposed 106 changes while PRG members proposed another 117. SoCalGas was generally responsive to IE and PRG suggestions.

At the RFA stage, the only major concerns related to PRG recommendations that SoCalGas seek to expand the scope covered by its individual solicitations and ensure IEs are able to participate in meetings where decisions are made about which bids to advance to the next stage. The recommendation resulted from SoCalGas' decision to withdraw a number of solicitations (including the residential-focused Whole Building solicitation). In response, SoCalGas adjusted its overall solicitation schedule, committed to broader scopes and revised and re-issued a number of its solicitations. SoCalGas cancelled the residential Whole Building solicitation and did not re-issue it.

The PRG developed its "PRG Checklist" for RFPs after the RFA stage of this solicitation was complete.⁹ The PRG Checklist serves as a means to confirm that the solicitation process and solicitation documents comply with CPUC requirements and PRG priorities (e.g. ensure that bidders know how to access documents and submit proposals, allows appropriate time for bidders to prepare proposals, etc.).

During RFP packet development, the IEs provided extensive feedback that was well-addressed by SoCalGas. Similar to the RFA stage, the Company involved its entire IE pool in the development of the template documents. The PRG, Public Advocates, the Energy Division, and Small Business Utility Advocates (SBUA) all provided feedback on RFP packet drafts. SoCalGas was very responsive to stakeholder feedback, incorporating approximately 90 percent of the over 100 comments received. The Company also completed the PRG's RFP Checklist, with more than 99 percent of items confirmed.

5. Bid Evaluation Methodology Assessment

5.1 Bid Screening Process

As described in the Single-Family solicitation documents, at both the RFA and RFP stages, SoCalGas performed a threshold assessment in which the Company evaluated abstracts and proposals for responsiveness, including whether bidders followed solicitation instructions, submitted mandatory schedules, provided all required information requested through PowerAdvocate, and provided a submission that could be reasonably scored. In each stage, the general scoring criteria categories were presented in the solicitation materials.

⁹ The PRG issued its first version of the RFA checklist in early April 2019. SoCalGas issued the Residential Single Family RFA on November 26, 2018 and completed the stage on March 5, 2019.

5.2 Scoring Rubric Design

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



Table 6 provides the RFA scoring rubric for the Single Family solicitation.

| Table 6: RFA Scoring Rubric | | | |
|--------------------------------------|-----------|-------------|-----------|
| Category | Weighting | Subcategory | Weighting |
| Program Objective | | | |
| Innovation | | | |
| Compliance | | | |
| Marketing and Outreach Opportunities | | | |
| Program Approach | | | |
| Cost | | | |
| Experience and Knowledge | | | |

Tables 7 provides the RFP scoring rubric for the Single Family solicitation.

| Table 7: RFP Scoring Rubric | | | |
|--|-----------|-------------|-----------|
| Category | Weighting | Subcategory | Weighting |
| Social Responsibilities | | | |
| Program Implementation and Feasibility | | | |
| Measurement & Verification (M&V) | | | |
| Cost and Energy Savings | | | |
| Skills and Experience | | | |

5.3 Review Team Profile

At the RFA stage, SoCalGas developed scorer guidelines, which were very good, and held scorer training, but did not include the IE in the training. SoCalGas committed to ensure that the IE would be included in future trainings. We did, though, review the training materials and found that they covered the relevant issues, including ensuring that members of the team did not have any conflicts of interest with bidders, and explaining the code of conduct related to sharing bid information outside of the review team.

The RFA Evaluation Team represented a fairly diverse set of perspectives, and included those with the appropriate expertise to evaluate the abstracts. One concern the IE expressed to SoCalGas after the scoring process was the need to incorporate individuals to score from outside of the existing program implementation group or, at the very least, provide strict guidance to reviewers that they should not discuss their scores with one another outside of scoring meetings. The reasons for adding review team diversity and/or limiting non-scoring meeting conversations is to ensure that each reviewer is independently reviewing bids. For the RFP stage, SoCalGas did incorporate individuals from outside the primary organization into the review team and restricted reviewers from discussing bids outside of scoring meetings and review team check-ins).

Table 8 describes the roles of and areas scored by the Single Family RFA Evaluation Team.

| Table 8: IOU RFA Review Team | | | |
|------------------------------|----------------|---------------|----------------|
| Number of Reviewers | Position Title | Position Role | Area(s) Scored |
| [REDACTED] | | | |

At the RFP stage, we believe that SoCalGas reviewers received sufficient training on how to score the Single-Family proposals. SoCalGas included the IE in the training process. SoCalGas also made sure to request that reviewers attested that they possessed no Conflicts of Interest with respect to any bidders.

During the training, SoCalGas described their Code of Conduct policies to ensure that reviewers understood their responsibilities and obligations to maintain the confidentiality of bidder submissions, as well as to prevent the sharing of sensitive information between SoCalGas staff and third-party program implementers. [REDACTED]

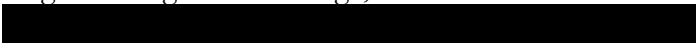
Table 9 describes the roles of and areas scored by the Single Family RFP review team.

| Table 9: IOU RFP Review Team | | | |
|------------------------------|----------------|---------------|----------------|
| Number of Reviewers | Position Title | Position Role | Area(s) Scored |

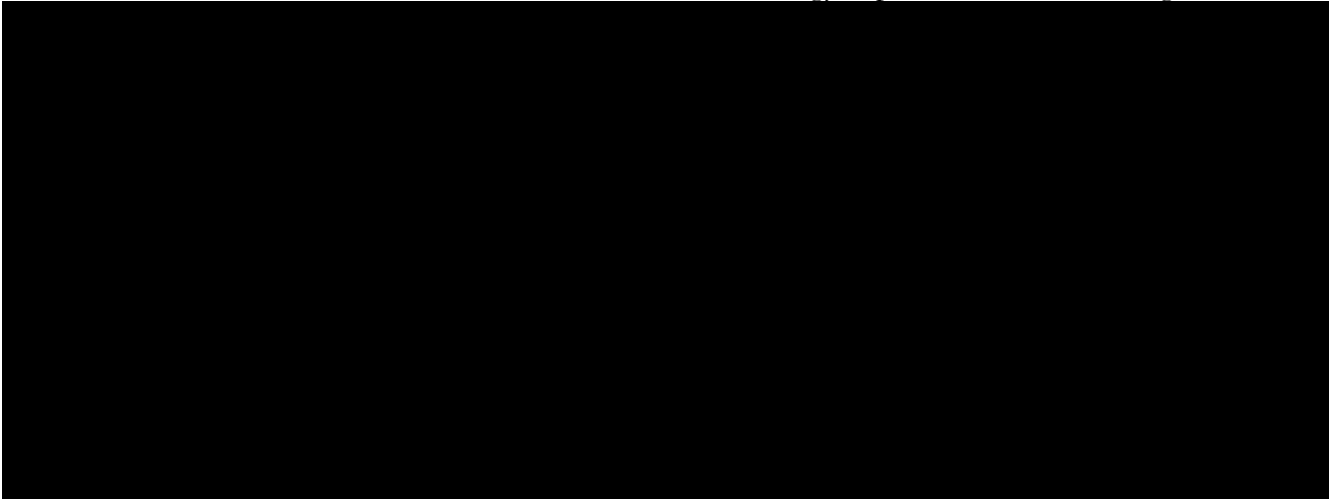
5.4 Scoring Process

For both the RFA and the RFP stages, SoCalGas’ approach to scoring involved having scorers complete their assigned reviews, pose any questions about scoring items to solicitation team leads, and meet to “calibrate” scoring differences. The IE also “shadow scored” each of the abstracts and proposals and participated in calibration meetings, although the IE scores were not considered in the IOU’s decision making process.

5.5 Response to PRG and IE Advice

The main feedback provided by the PRG and IE regarding the bid evaluation design and process was related to the scoring rubric weightings. During the RFA stage, individual PRG members suggested slightly different weightings 

[REDACTED] SoCalGas made some adjustments to its scorecard to accommodate these requests. There were no significant areas of disagreement between SoCalGas and the IE or PRG in terms of the bid evaluation methodology or process at the RFA stage.



6. Final Bid Selection Assessment

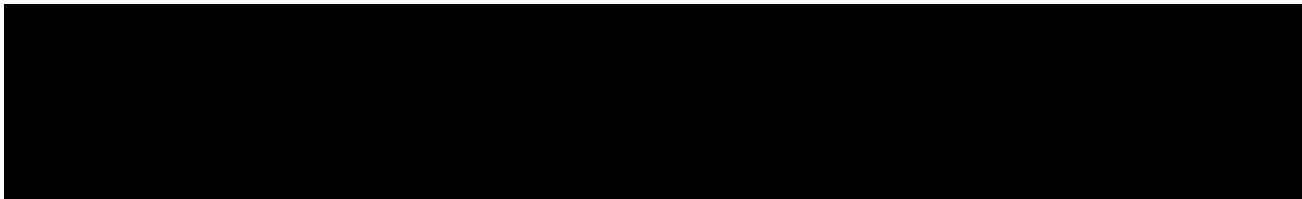
6.1 Conformance with Established Evaluation Processes

For both the RFA and RFP stages, SoCalGas generally conducted its evaluation in conformance with its established scoring criteria and process. Through its threshold assessment in both the RFA and RFP stages, SoCalGas identified non-conforming bids. The assessment was consistently applied to all bidders. [REDACTED]

The RFA and RFP review teams carefully reviewed abstracts and proposals and conducted respectful and thorough discussions during calibration sessions. The information requested of bidders in both the RFA and RFP stages was actively used to evaluate bids. There were no differences in evaluation method used for specific technologies, program strategies, measure types, market channels, or other characteristics.

6.2 Shortlist and Final Selections

a. Final Selection Process



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

Final bidders selected for contracting and contract amounts are shown in the table below. The contract term for the Synergy program runs for three years following the contract’s Effective Date. According to the contract, the Effective Date is the date that the CPUC approves the Advice Letter.



| Table 10: Residential Single Family Solicitation Contracts | | |
|--|--------------|--------------------|
| Company | Contract NTE | Date Executed |
| Global Energy Services, Inc. | \$2,994,250 | September 21, 2020 |
| Synergy Companies | \$9,000,000 | September 21, 2020 |

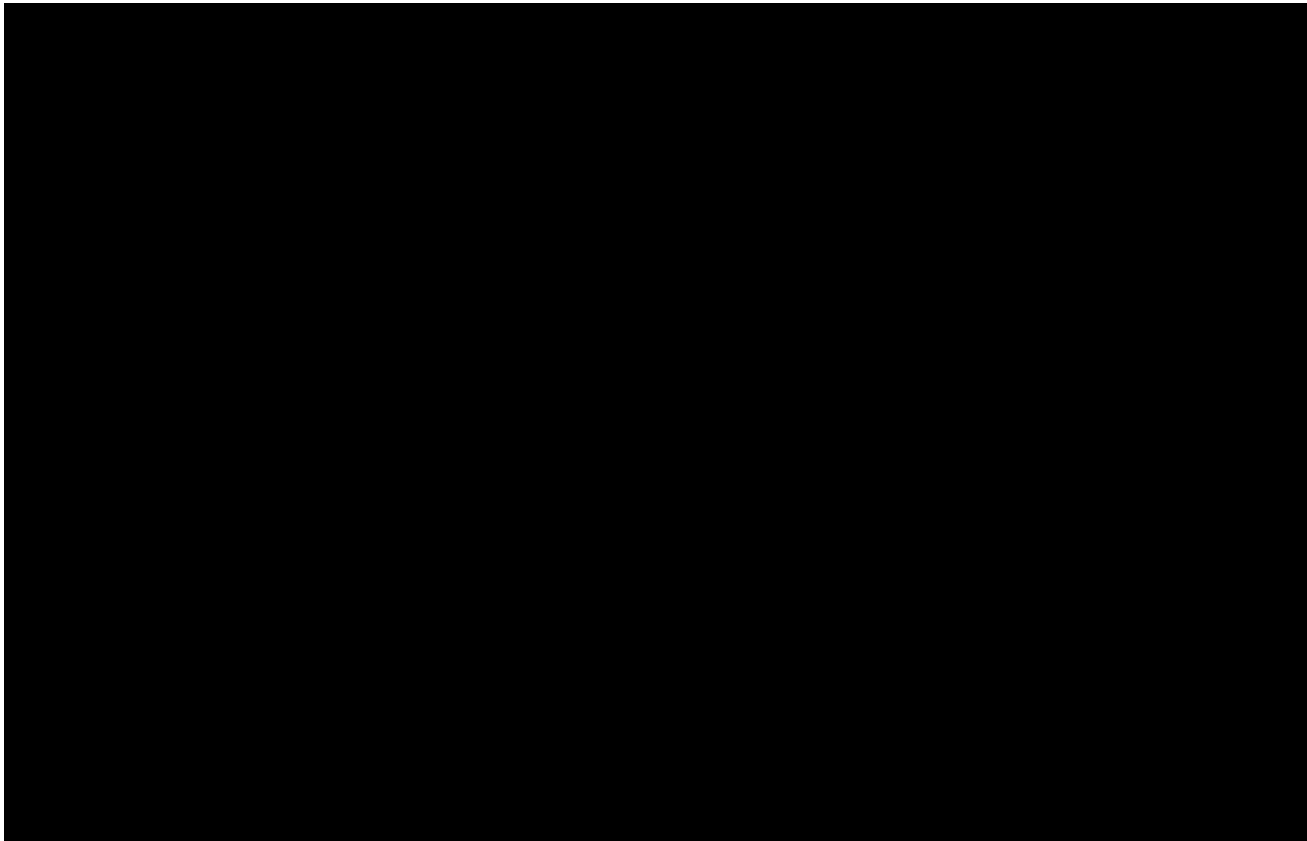
b. Portfolio Fit

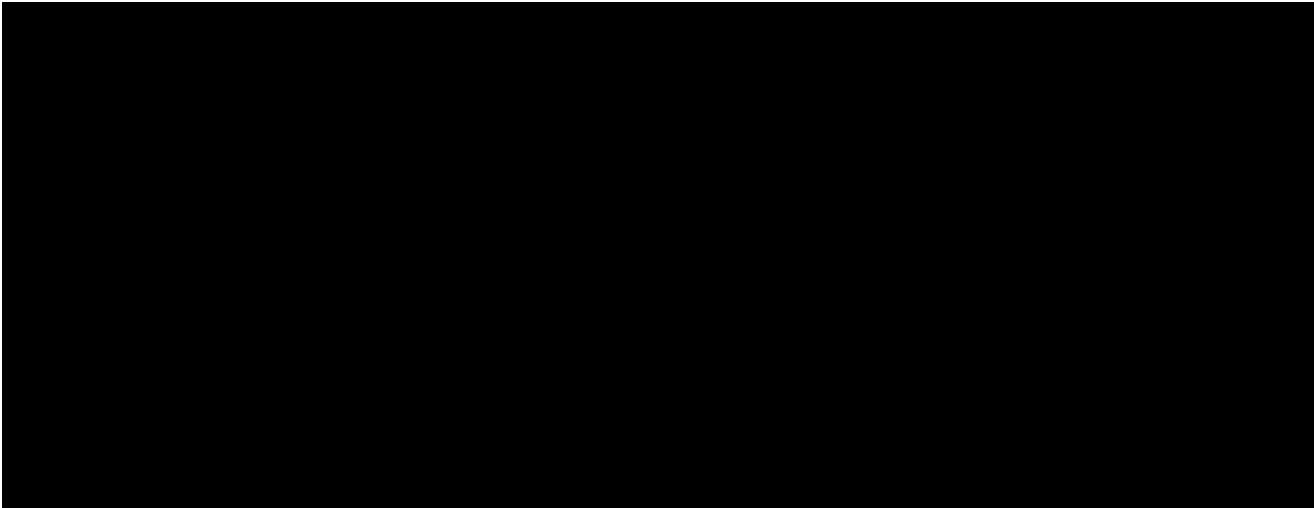
The Single Family solicitation and the selected programs are consistent with SoCalGas’ Business Plan and the selected contractors meet the objectives outlined in the Business Plan. Therefore, the selected programs and contractors are good fits for SoCalGas’ portfolio.

6.3 Affiliate Bids and Conflicts of Interest

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

6.4 Response to PRG and IE Advice





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

7. Assessment of Selected Bids

7.1 Bid Selections Respond to Portfolio Needs

The final selections in the Residential Single Family segment solicitation are consistent with SoCalGas’ portfolio needs as identified in its Business Plan. SoCalGas sought a combination of programs that would serve the needs of its residential single family customer segment and the three selected programs meet this need.



7.2 Bid Selections Provide Best Overall Value to Ratepayers

a. Introduction

Assessing best overall value to ratepayers is challenging for Independent Evaluators because our primary roles, as defined by the California Public Utilities Commission, are to “monitor the entire process from RFA design to contract execution”, “serve as a consultant to the PRGs”, “provide assessments of the overall third party solicitation process and progress”, and “lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs.”¹⁰ During the solicitation process, the IEs’ roles expanded to include providing IOUs and the PRG on the best way to approach aspects of the solicitation process; however, this role did not (and should not) extend to offering opinions to the IOUs or PRGs about which bids best meet the utility’s or the CPUC’s objectives.

As such, beyond reporting about the details of the selected bids and the process that produced the final contracts, in our view, an IE should not evaluate whether the selections were the “best”

¹⁰ D. 18-01-004, pps. 37-38.

options available to the IOU. Rather, IEs should, as indicated by the CPUC, monitor the entire process from RFA design to contract execution, provide assessments of the overall third party solicitation process, and lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs.

A critical component of the solicitation process is the scorecard that is used to assess bids and, in turn, the way the IOU uses the scorecard to make its selections. Scorecards are designed to balance the IOU's many priorities to, if implemented correctly, produce outcomes consistent with those priorities. This is why it is important that IEs and the PRG thoroughly review the scorecards and that IEs actively monitor the scoring process to ensure that the scorecard is applied in a fair and unbiased manner.¹¹

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

b. Brief Program Description

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

c. Quantitative Program Information

The following table shows a summary of the quantitative information extracted from the program's contract. We have also provided for comparison ex-ante metric information from a combination of Appendix D of SoCalGas' 2019 Annual Report and 2019 end-of-year claims from CEDARS.¹² The Residential Sector information does not include results or budget for the Company's Behavioral program or its low-income Energy Savings Assistance program as these two programs represent

¹¹ To the extent an IOU includes other stages beyond the RFA and RFP during which final contract selections are made (interviews or competitive contract negotiations), it is important that the IOU is transparent about the way it plans to make final selections and that IEs are able to observe IOU conversations during which decisions are made. SoCalGas did not include interviews or competitive contract negotiations in its solicitation process.

¹² The Annual Report is accessible from: <https://www.socalgas.com/regulatory/efficiency> and the 2019 claims are accessible from <https://cedars.sound-data.com/reports/summary/>

almost 90 percent of the sector’s therms savings and are not directly comparable to the programs selected in this solicitation.

| Table 11: Synergy Residential Advanced Clean Energy Program Contract Attributes | | | |
|---|---|---|--|
| Item | Synergy Residential Advanced Clean Energy Program | SoCalGas Residential Sector ¹³ | |
| Summary Data | | | |
| Total Budget | | | |
| IDSM Budget | | | |
| Gas Savings (Net first-year therms) ¹³ | | | |
| Electric Savings (Net lifecycle therms) ¹³ | | | |
| Electric Savings (Net first-year kWh) ¹³ | | | |
| Net-to-Gross (therms) | | | |
| Net-to-Gross (kWh) | | | |
| NPV of Net Lifecycle Benefits ¹⁴ | | | |
| Metrics | | | |
| Total Resource Cost (TRC) Test | | | |
| Program Administrator Cost (PAC) Test | | | |
| Lifecycle Acquisition Cost/therm (PAC levelized cost) ¹⁵ | | | |
| Lifecycle Acquisition Cost/kWh (PAC levelized cost) ¹⁶ | | | |
| Simple Acquisition Cost (\$/therm) ¹⁷ | | | |
| Simple Acquisition Cost (\$/lifecycle mmBTU) ¹⁸ | | | |
| Disadvantaged Communities (% of savings from) | | | |
| Hard-to-Reach Customers (% of savings from) | | | |

The program aligns with California energy policies in helping achieve energy savings and other benefits in the Residential Single Family segment. Specifically, the program aligns with Senate Bill

¹³ We used an average program single year to match with the single year of SoCalGas’ Residential sector results (excludes Behavioral program and ESA).

¹⁴ Net supply and other costs avoided minus participant and program costs.

¹⁵ PAC levelized cost is calculated using total Program Administrator Costs from the CET, weighting the portion of net benefits attributable to the fuel (gas or electric), and then dividing by the program’s total lifecycle net therms or net kWh.

¹⁶ PAC levelized cost is calculated using total Program Administrator Costs from the CET, weighting the portion of net benefits attributable to the fuel (gas or electric), and then dividing by the program’s total lifecycle net therms or net kWh.

¹⁷ Simple acquisition cost per lifecycle therm divided the total budget by the program’s total lifecycle energy savings.

¹⁸ Simple acquisition cost per lifecycle mmBTU provides a better way to show total savings relative to cost since a BTU calculation captures both electric and gas savings.

350's pursuit of doubling statewide energy efficiency savings by 2030 and seeking to overcome barriers to disadvantaged communities participating in energy efficiency programs.¹⁹ The program relies on a direct install approach (90 percent no-cost to customer, 10 percent with co-pay) for gas measures, with the aim to advance customers down a clean energy path by leveraging partnerships with electric utilities (investor-owned and municipal) and financing to drive a more comprehensive solution.



d. Measurement and Verification

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

e. Compensation

[REDACTED] We use “performance-based” to distinguish from “pay-for-performance”, a term that per CPUC D. 18-01-004 has associated specifically with programs using meter-based savings methodologies (measured and verified savings). Performance-based refers to compensation that is associated with deemed or non-meter based custom measures in which savings are not verified during the program term. [REDACTED]

¹⁹ SB 350 is the Clean Energy and Pollution Reduction Act of 2015.

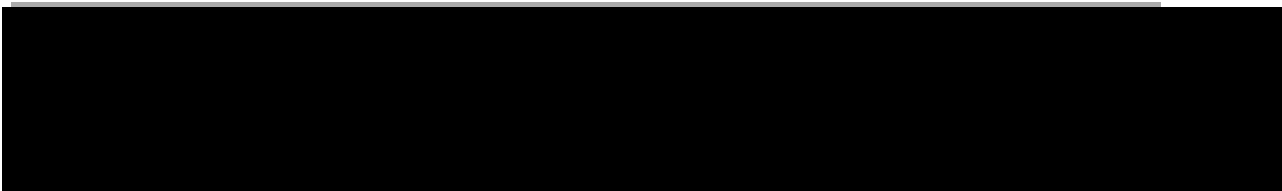
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350.

²⁰ The study documents are available at: <https://www.cpuc.ca.gov/General.aspx?id=6442461220> while the interactive web-based analytics are available at - <http://acp.analytica.com/acpbeta/shared/#dash/fca42209-b98d-4e83-852f-3d075f99ce9b>

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

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

| Table 12: Residential Advanced Clean Energy Program Compensation Scenarios | | | | | |
|--|---|--|----------|------------------------------------|---|
| Percent of Savings Goal | 1 st Year Savings (net therms) | 1 st Year Savings (net kWh) | Payments | Simple Acquisition Cost (\$/therm) | Simple Acquisition Cost (\$/ lifecycle mmBTU) |
| | | | | | |
| | | | | | |
| | | | | | |



f. Supports portfolio and applicable sector metrics achievements

The Program’s Key Performance Indicators (KPIs) align well with SoCalGas’ portfolio and sector metrics. Table 13 below shows the KPIs from the contract and how each aligns with the Company’s Portfolio and Residential Sector (Single Family Segment) metrics. The metrics are referenced on page 16 of Southern California Gas Company’s “Request for Approval of Annual Energy Efficiency Budget Filing for Program Year 2020” (Annual Budget Advice Letter U904-G/5510-E).

| Table 13: Contract KPIs and SoCalGas Metrics | | |
|--|------------------|------------------------------|
| KPI | Portfolio Metric | Single Family Segment Metric |
| | | |





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

8. Reasonableness of Contracting Process

8.1 Collaboration on Final Program Design and Scope

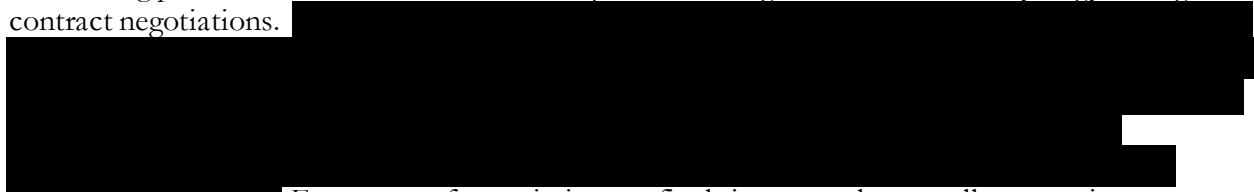
SoCalGas and Synergy collaborated on the final program design both in terms of reconfiguring the program to meet its achievements with a lower budget than proposed and in terms of increasing the comprehensiveness of the measures offered.



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

8.2 Fairness of Negotiations

We believe the contract negotiations were fair and the process did not require the bidder to incur any uncompensated costs other than delayed revenue opportunities resulting from a protracted contracting process. There was no evidence of positive or negative bias towards Synergy during contract negotiations.



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

8.3 Changes to Contract Terms & Conditions

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

8.4 Conformance with CPUC Policies and Objectives

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

| Table 14: Synergy Contract Alignment with CPUC Policies and Objectives | |
|---|--|
| Item | Program |
| Changes to any aspects of Terms and Conditions (no changes to CPUC Standard, limited changes to Company Ts&Cs and CPUC Modifiable Contract Ts&Cs) | There were no changes to the terms and conditions. |
| Contract is consistent with CPUC incentive guidelines | [REDACTED] |
| Contract is consistent with M&V Plan with NMEC guidelines | [REDACTED], the Implementation Plan will include an M&V component specifying the number of projects inspected after installation and to ensure quality workmanship. M&V Plan will be part of Implementation Plan. |
| Reasonable number of KPIs | Contract has [REDACTED] separate KPIs which we consider to be a reasonable number. |
| KPIs make sense in terms of what they are measuring, the scale applied to them, and the timeframe on which they are monitored | The KPIs make sense in terms of tracking the program’s activities and its primary focus on delivering comprehensive services to Single Family homes. SoCalGas sought to ensure that the KPIs language was consistent across its Single-Family and Multifamily contracts. |
| Contract includes appropriate performance issue remedies | Yes. Section 1.2 of Attachment 8 includes performance remedies for failing to achieve the KPIs. |
| Contract clearly addresses Support Services | Yes. The contract includes only Basic Support Services which are described in Attachment 2. |
| Innovative aspects of program are retained | Generally, yes. Program’s innovation stems from incorporating [REDACTED] |

| Table 14: Synergy Contract Alignment with CPUC Policies and Objectives | |
|---|---|
| Item | Program |
| | <p>[REDACTED]</p> <p>The Proposal included a very small NMEC portion which was removed during contracting because of the very small role (and yet potentially very large effort commitment) the offering would play in the overall program.</p> |
| If applicable, IDSM components incorporated | The program seeks to maximize energy savings opportunities associated with customer engagement, including potential incorporation of electric savings measures through partnerships with electric utilities. |
| If applicable, program considerations for HTR customers and DACs are incorporated | The program actively seeks to serve HTR customers and DACs and includes KPIs that set its goals at [REDACTED] of customers/communities served. |
| Changes proposed by SoCalGas or Contractor were reasonable and fair | Yes, proposed changes from SoCalGas and from contractor were reasonable and fair. [REDACTED] |

8.5 Uniformity of Contract Changes

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

9. Conclusion

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

Appendix B

Solicitation Process Overview (Redacted)

The unredacted version is only being provided to Energy Division under the Confidentiality and Protected Materials Provisions Pursuant to Public Utilities Code Section 583, General Order 66-D, and D.17-09-023

Appendix C

Selection Worksheets (Redacted)

The unredacted version is only being provided to Energy Division under the Confidentiality and Protected Materials Provisions Pursuant to Public Utilities Code Section 583, General Order 66-D, and D.17-09-023

Appendix D

Third-Party Contract Summary (Redacted)

The unredacted version is only being provided to Energy Division under the Confidentiality and Protected Materials Provisions Pursuant to Public Utilities Code Section 583, General Order 66-D, and D.17-09-023

Appendix E

Contract (Redacted)

The unredacted version is only being provided to Energy Division under the Confidentiality and Protected Materials Provisions Pursuant to Public Utilities Code Section 583, General Order 66-D, and D.17-09-023