

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 18, 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 Small & Medium Commercial Program solicitation (advice letter #5732), effective December 18, 2020.

Background

Decision D.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 November 20, 2020, SoCalGas filed advice letter #5732 as part of its Small & Medium Public Commercial solicitation.

In operationalizing the review of these third-party advice letters, EE 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 SoCalGas' responsibility to manage its portfolio to ensure it remains in compliance with its approved business plan and all Commission Decisions.

Implementation Plan Development

Decision D.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 February 16, 2021.

Please direct any questions regarding Energy Division's findings in this non-standard disposition to Rob Hansen (mona.dzvova@cpuc.ca.gov).

Sincerely,

Handwritten signature of Edward Randolph in black ink, with "(FOI)" written in parentheses to the right.

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

¹ D.18-01-004, 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
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Alison LaBonte, Energy Division
Scott Kjorlien, Energy Division
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November 20, 2020

Advice No. 5732

(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 Small & Medium Commercial 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 Commercial Building Energy Solutions and Technologies (C-BEST) program, resulting from the Small & Medium Commercial (Comm Sm&Med) 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.

C-BEST is a turnkey cost-effective end-to-end solution for SoCalGas that serves small and medium commercial business customer groups with an emphasis on customer segments with predominantly high natural gas loads. The program will offer direct installation of specific energy efficiency measures, analytics-based customer targeting, Disadvantaged Communities (DACs)/Hard-to-Reach (HTR) outreach and promote retrofit projects through trade allies utilizing direct install, incentives and financing. This program will replace SoCalGas' existing Small & Medium Commercial direct install program.

The C-BEST program is expected to contribute 1,023,737 net therm savings over three years. Fifty percent of the forecasted net therm savings will target HTR customers and those in 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 1.63. As such, it is one of the many cost-effective programs in SoCalGas' portfolio. This contract represents approximately two percent of SoCalGas' forty percent third-party solicitation requirement.

Third-Party Contract Solicitation

SoCalGas' C-BEST program is the only third-party contract resulting from the Comm Sm&Med solicitation that meets the threshold requiring Commission approval of the contract. All contracts from the Comm Sm&Med solicitation are listed in Table A, below.

Table A: Contract in Small & Medium Commercial Solicitation			
Contract		Budget	Duration
Public			
1.1	Commercial Building Energy Solutions and Technologies	See Appendix B	36 months
1.2	Small and Medium Commercial EE Program	See Appendix B	36 months

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

Table B: General Contract Summary – ICF		
1	Solicitation name	Small Medium Commercial Solicitation
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, Downstream
3.1	A. Direct Install/Downstream Customer Targeting (Yes or No)	Yes

Table B: General Contract Summary – ICF		
3.2	B. Customer Targeting brief description, if applicable.	The program will deploy unique customer data analytics to integrate customer demographics and load characteristics with building types through GIS-type overlays. Use of advanced data analytics will facilitate the identification of prospective customers which can assist in the realization of retrofit opportunities.
3.3	C. Midstream/Upstream Market Actors receiving incentives (i.e., manufacturers, distributors, contractors, or other (specify).	N/A
4	Market/Sector(s)	Commercial
5	Customer Segment(s)	Small and Medium Commercial Business Customers
6	Third-Party Implementer/Subcontractor name	ICF Resources, LLC ASK Energy; Global Energy Services
7	Name of program or service	Commercial Building Energy Solutions and Technologies (C-BEST)
8	Brief description of program or service (2-3 sentences).	C-BEST will target the small and medium commercial business (“SMB”) customer groups (therm usage up to 50,000 therms per year) with an emphasis on customer segments with predominantly high natural gas loads, such as hospitality, restaurants, laundries, small medical, and office buildings. The program will push for comprehensive projects but accommodate single system retrofits and provide financing options and project management support.
9	Total kWh Energy Savings (First year, net)	230,965
10	Total MW Energy Savings (First year, net)	-13,648
11	Total therms Energy Savings (First year, net)	1,023,737

Table B: General Contract Summary – ICF		
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.	46 HTR Customers KWh – 0 kW – 0 Therms – 206,036
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.	49 DAC Customers KWh – 0 kW – 0 Therms – 206,036
14	Forecasted Number of Customers Served by PY	PY2021 – 95 PY2022 – 134 PY2023 – 154
15	Area(s) Served (including service territory, climate zones, cities, and/or counties, as applicable).	Entire SoCalGas' service territory except for San Bernardino or Riverside counties.
16	Program TRC ratio [Cost Effectiveness Tool (CET) output]. ³	1.63
17	Program Administrator Cost (PAC) ratio (CET output)	1.69
18	Program \$/kWh (TRC levelized cost, CET output)	N/A
19	Program \$/kWh (PAC levelized cost, CET output)	N/A
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)	\$0.45
23	Program \$/therm (PAC levelized cost, CET output)	\$0.43
24	Budget: Forecast budget by PY for each year contract in effect.	PY2021 - \$1,493,319 PY2022 - \$2,403,985 PY2023 - \$2,098,719
25	Budget: Forecast expenditures by PY for each year contract in effect.	PY2021 - \$1,493,319 PY2022 - \$2,403,985 PY2023 - \$2,098,719

Table B: General Contract Summary – ICF		
26	Budget: Total Program Budget (include explanation for difference, if any, from total contract budget provided in Table A).	\$5,996,023
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"> • Automatic Conveyor • Boiler Belts • Combination Oven • Convection Oven • Fryer • Griddle • Rack Oven • Steam Cooker • Boiler-DWH • Faucet Aerators • Pipe Insulation/ Wrap • Laminar Flow Restrictor • Low-Flow Pre-Rinse Spray Valve • Natural Gas Pool Heater • Space Heating Boiler • Steam Trap Replacement
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
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 Comm Sm&Med 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 Don Arambula Consulting. 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 January 31, 2019. 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 March 14, 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 August 1, 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 August 23, 2019. Bidder submissions were due through PowerAdvocate on October 7, 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 Bidders on January 22, 2020. Negotiation of contracts

followed, with execution of the contract requiring Advice Letter approval occurring on August 31, 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 Comm Sm&Med 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 February 7, 2019. During the RFP stage, a pre-bid conference was held on September 4, 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 Comm Sm&Med solicitation, SoCalGas received a total of 27 questions from the bidding community. In the RFA stage, overarching themes included clarification on budget, SoCalGas' outsourcing tool-PowerAdvocate, SoCalGas support services, energy savings determination and reporting, upcoming solicitations update, partnering, pay for performance breakdown and CPUC workpapers. In the RFP stage, overarching themes included Enhanced Support Services, licenses, CET, and energy saving determinations.

1.c) Independent Evaluator Participation

The Comm Sm&Med IE, Don Arambula Consulting, 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 several IE recommendations and input. The full IE report is provided in Attachment A.

Consensus/Calibration Scoring Meetings:

- The Comm Sm&Med evaluation of abstracts was transparent and fair.
- The IE reviewed and scored abstracts that passed the initial threshold assessment. The IE applied a two-person review to each abstracts to increase confidence in scores.

- 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.

RFA Shortlist Process:

- Opportunities for Improvement:
 - Consolidate RFA Scoring Elements. SoCalGas should look to reduce the number of scoring elements in the RFA evaluations. During the calibration meeting it became evident that the number of questions directed in certain areas could be reduced.
 - Hold joint Calibration meetings for like proposals. The Sm&Med Comm and Public solicitation shared a subset of common bidders and proposed program designs. These multi-sector proposals could be more efficiently discussed at the same calibration meeting.

RFP Stage:

- The IE has 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 Sm&Med Comm solicitation.
- The IE conducted the final review of the RFP package, and confirmed IOU responded to all corresponding IE comments.

RFP Shortlist Process:

- The IE attended an extended calibration meeting to conduct a detailed review of the CET input files. The review included confirmation that the proposal applied the correct CPUC-approved assumptions and methodologies. The review also checked for consistency among the CET input and the proposed program along with the reasonableness of the measure mix and quantity projections.
- The IE attended a proposal Shortlist meeting. The Solicitation Team presented the calibrated scores and rankings to SCG program and senior management. The scoring team also presented a brief summary of each proposed program design and targeted customer group.
- Opportunities for Improvement:
 - The CET evaluation should include two-dimensional scoring: confidence in CET assumptions and confidence in the forecasted measure mix and quantities.
 - A detailed examination and discussion of the CET inputs among the

evaluation team should be conducted as part of calibration to identify inconsistencies with program design and approach.

- The evaluation team members should review the complete proposal not only those discrete areas assigned to them for evaluation.
- The current scoring guidelines should be revisited to reduce the number of unique scoring elements.

Contract Negotiations:

- SoCalGas has successfully concluded negotiations with the selected contractor.
- The IE monitored all contract negotiation meetings and has reviewed all redlines. The resolutions agreed by both parties are reasonable. Below is a list of key program items that lead to an improved program showing.
 - Reductions of unit pricing on specific direct install measures.
 - Changes to program measure mix for greater comprehensiveness.
 - Changes to certain measure incentive levels for consistency across SoCalGas' program portfolio.

2. Marketing and Outreach

To increase public and potential Bidder awareness of the Comm Sm&Med 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 IOUs, 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	1/31/2019
2	Pre-Bid Conference (optional)	2/7/2019
3	Bidder's deadline to submit written questions	2/13/2019
4	IOU response due to bidder questions	2/21/2019
5	Bidder's abstract submission due	3/14/2019
6	Shortlist notification	8/1/2019
Stage 2 RFP Events		
1	RFP issued	8/23/2019
2	Pre-Bid Conference (optional)	9/4/2019
3	Bidder's deadline to submit questions to IOU	9/9/2019, 9/19/2019
4	Bidder's deadline to submit CET to IOU for preliminary review (optional)	N/A
5	IOU responses due to bidder questions	9/16/2019, 9/24/2019
6	IOU responses due to preliminary CET review	10/14/19 and 10/23/19
7	Bidder's proposal submission due	10/7/2019
8	Bidder interviews conducted by IOU	N/A
9	Bidder shortlist notification	1/22/2020
10	Contract negotiations and execution	8/31/2020
11	Tier 2 Advice Letter submission	11/20/2020

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 Comm Sm&Med solicitation was Don Arambula Consulting.

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 - 1/7/19
- RFA Evaluation Results and Shortlist Recommendations - 6/4/19
- Final RFP Package – 8/6/19
- RFP Evaluation Results and Shortlist Recommendations - 12/3/19

- Contract Update report-outs – 4/7/20, 5/5/20, 6/2/20, 7/7/20, 8/4/20

Transition Plan from Pre-Existing Program to New Program

The C-BEST program will replace SoCalGas' existing third party implemented commercial and public direct install program, Commercial Direct Install (CDI), SCG3805. The program's "Effective Date" will be the date that the CPUC issues its written approval ("Written Approval") of the Advice Letter. Shutdown activities for the current CDI program will begin at the end of 2020. 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 December 10, 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 December 20, 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 lists 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:
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**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:

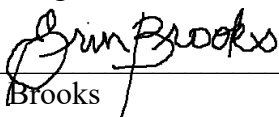
1. I am Erin Brooks, Customer Programs Policy & Support Manager in the Customer Programs and Assistance Department of Southern California Gas Company (“SoCalGas”). I was delegated authority to sign this declaration by Jeffery Walker, in his role as Vice President of Customer Solutions at SoCalGas. I have reviewed the confidential information included within SoCalGas’ Energy Efficiency Solicitations SharePoint regarding the *CONFIDENTIAL Energy Efficiency Small & Medium Commercial Third-Party Solicitation Advice Letter* 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 20th day of November 2020, at Los Angeles.



Erin Brooks
Customer Programs Policy & Support Manager

ATTACHMENT A

SoCalGas Request for Confidentiality of its Small & Medium Commercial Energy Efficiency Third-Party Solicitation Advice Letter

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>CPRA 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>

ATTACHMENT A

Advice No. 5732

- Appendix A – (Redacted) Final Independent Evaluators Report
(Confidential) Final Independent Evaluators Report**
- Appendix B – (Confidential) Solicitation Process Overview**
- Appendix C – (Confidential) Selection Spreadsheets**
- Appendix D – (Confidential) Third-Party Contract Summary**
- Appendix E – (Confidential) Contract**

**Confidential and Protected Materials
Pursuant to Public Utilities Code Section 583,
General Order 66-D, and D.17-09-023**



FINAL INDEPENDENT EVALUATOR REPORT

Southern California Gas Company - Third Party Energy Efficiency
Program Solicitations

Local Small and Medium Commercial



September 25, 2020

Prepared by:

INDEPENDENT EVALUATOR
Don Arambula



FINAL INDEPENDENT EVALUATOR REPORT – SOCIALGAS

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1. Contract Summary

The Final Independent Evaluator Report (Report) provides a final assessment of Southern California Gas Company's (SoCalGas) third-party energy efficiency (EE) program solicitation process and executed contract (Contract) between SoCalGas and the program implementer. The Report is provided by Don Arambula Consulting (DAC), Independent Evaluator, assigned to monitor the SoCalGas' local small and medium commercial solicitation. The Report addresses SoCalGas' contract (Contract) with [REDACTED] the proposed implementer for the Commercial Building Energy Solutions and Technologies (C-BEST) Program.

C-BEST PROGRAM SUMMARY

The implementer-designed C-BEST Program targets small and medium-sized commercial facilities with an emphasis on customer segments with predominantly high natural gas loads, such as hospitality, restaurants, laundries, small medical, and office buildings located throughout the SoCalGas service territory (except in Riverside and San Bernardino counties). The Riverside and San Bernardino counties will be served by another third-party program implementer, [REDACTED]. The C-BEST total contract value is [REDACTED] with a forecasted energy savings target of 1,023,737 net therms. The Program is planned to conclude by the end of 2023.

The C-BEST Program:

- Presents an opportunity for SoCalGas to improve the cost-effectiveness showing for its energy efficiency portfolio;
- Provides analytics-based customer targeting to identify high potential customers which is expected to result in lower program delivery cost and increased energy savings results;
- Offers customers a business energy advisor program hotline, trade ally training, and referrals promoting a combination of incentives and financing;
- Offers customer incentives that are consistent with all applicable CPUC-recommended incentive guidelines;
- Places a greater emphasis on EE solutions for hard-to-reach (HTR) customers and customers located in disadvantaged communities (DAC); and
- Coordinates with community-based organizations that work with HTR/DAC customers to promote EE and workforce development.

The IE supports the Contract agreed to between SoCalGas and the program implementer. The Report addresses each aspect of the solicitation from the initial RFA development through contract execution. [REDACTED]

2. Background

The assigned Independent Evaluator (IE) is required to submit an individual IE assessment report (IE Report) on each executed energy efficiency third-party contract and the corresponding program solicitation process. The IE Report is filed as part of the investor-owned utility's (IOU) Tier 2 advice letter seeking California Public Utilities Commission (CPUC) approval of the energy efficiency third-party contract. An advice letter filing is required if the proposed contract value is \$5 million or greater and/or has a contract term longer than three years. Regardless, the IE is always required to provide a report to the IOU's Energy Efficiency Procurement Review Group (PRG).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—PG&E, Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas)—to ensure that their EE portfolios contain a minimum percentage of third-party designed and implemented programs by predetermined dates over a three-year period. Further directions were included in Decision (D.)18-05-041, which states:

“The third-party requirements of Decision (D.)16-08-019 and D.18-01-004 are required to be applied to the business plans of the investor-owned utilities approved in this decision. All utility program administrators shall have at least 25 percent of their 2020 program year forecast budgets under contract for programs designed and implemented by third parties by no later than December 19, 2019.”²

In October 2019, SoCalGas sought an extension of time from the CPUC on the 25 percent threshold target date to allow for the full execution of its planned solicitation schedule to procure new third-party programs and to account for the newness of the program solicitation process. On November 25, 2019, the CPUC's Energy Division granted the IOUs an extension of time to meet the 25 percent threshold by September 30, 2020.³

The CPUC further stated that, consistent with D.18-05-041, the IOUs must meet at least 40 percent of their energy efficiency portfolios under contract for programs designed and implemented by third parties by December 31, 2020 and 60% by December 31, 2022. The CPUC indicated that no further extensions of time will be granted to the IOUs for meeting the third-party percentage requirements specified in Ordering Paragraph 4 of D.18-05-041.

TWO STAGE SOLICITATION APPROACH

The IOUs are required by the CPUC to conduct a two-stage solicitation approach for soliciting third party program design and implementation services as part of the energy efficiency portfolio. All IOUs are required to conduct a Request for Abstract (RFA) solicitation, followed by a full Request

¹ Id.

² Id, OP 4, pp. 182-183.

³ 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.

for Proposal (RFP) stage.⁴

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

Each IOU is required to select and utilize a pool of EE IEs to serve as consultants to the PRG.⁵ The IEs are directed to observe and report on the IOU's entire solicitation process, preparation, evaluation, selection, and contracting process. The IEs review and monitor the IOU solicitation process, valuation methodologies, selection processes, and contracting to confirm that an unbiased, fair, and transparent competitive process is conducted that is devoid of market collusion or manipulation. The IEs are privy to viewing all submissions. The IEs are invited to participate in all the IOU's solicitation through selection-related discussions and are bound by confidentiality obligations.

TIMELY SOLICITATIONS

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

DELAYS IN SCHEDULES GUIDANCE

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

RFA GUIDANCE

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

BIDDER COMMUNICATION

- Notify bidders of the status of the solicitation throughout the entire process.
- Provide better feedback to bidders by delivering on their commitments made in response to stakeholder requests.
- Provide non-advancing bidders notification if their abstracts/proposals didn't advance due to

⁴ Id, p. 2.

⁵ Id, OP 5, p. 62.

incomplete or non-conforming, a violation, or an unmitigated conflict of interest.

After the June 30 and September 30, 2020 deadlines are met, ED encourages the IOUs to make feedback available to bidders that they did not advance to the next stage of the solicitations.

3. Solicitation Overview

3.1 Overview

SoCalGas conducted a Local Small and Medium Commercial energy efficiency program solicitation. Consistent with CPUC direction, the solicitation included two-stages, a RFA and RFP stages. The solicitation adhered to the specific steps outlined in the IOU's Program Solicitation Plan submitted as part of its energy efficiency Business Plan.⁶ Consistent with this Program Solicitation Plan, SoCalGas made its final selection at the end of the RFP stage and before entering into contract negotiations with the selected bidder.

SoCalGas ultimately selected two Proposals including C-BEST Program.

SoCalGas began contract negotiations with the winning bidder. Contract negotiations were very collaborative and focused on improving the Program's measure mix, customer incentives levels, and reducing implementation costs. The collaborative process produced an enhanced program offering, an improved program cost-effectiveness showing (Total Resource Cost (TRC) test), and a reduced cost per therm for the ratepayer. SoCalGas' approach to collaborative contract negotiations with a focus on improving program design and delivery should be seen as a best practice for all program solicitations across the California IOUs.

SCOPE

The Local Small and Medium Commercial program solicitation welcomed qualified bidders to propose, design, implement, and deliver an innovative, resource-based program(s) that provides comprehensive, long-term natural gas EE results for existing very small, small and medium-sized commercial customers.⁸ Most of SoCalGas' commercial customers are small to medium-sized businesses, which account for approximately 67 percent of the commercial sector energy usage annually.⁹

OBJECTIVES

The solicitation was based on the needs and customer group profiles identified in SoCalGas' approved Business Plan. The solicitation was designed to achieve more comprehensive, long-term energy savings. Interested bidders were encouraged to review and propose innovative programs that could assist SoCalGas in achieving portfolio and sector-level metrics¹⁰ related to very small, small,

⁶ Southern California Gas Company's Energy Efficiency Program Solicitation Plan, dated August 7, 2017.

⁷ The other selected bidder was Small and Medium Commercial Energy Efficiency Program.

⁸ See SoCalGas Business Plan, pp. 109-110 and p. 121, available at https://www.socalgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

⁹ *Id.* p. 109.

¹⁰ See SoCalGas Portfolio and Sector-Level Metrics Compliance Filing, pp. 69-75, available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M233/K545/233545545.PDF>.

and medium customer groups, as well as those customers operating in disadvantaged communities (DACs) and the CPUC-defined hard-to-reach (HTR) customers.¹¹

IE MONITORING CONTRACT NEGOTIATIONS

The DAC team actively monitored the contract negotiation meetings. As appropriate, we provided feedback to SoCalGas’ project lead outside of the bidder meetings about the ongoing negotiations. For example, the IE recommended to the IOU to maintain consistent measure mix and incentive levels across the two selected bidder programs [REDACTED] to avoid customer confusion especially for those customers with multiple facilities being served by both programs.

3.2 Timing

The RFA and RFP stages of the Local Small and Medium Commercial program solicitation were executed on time, as originally planned.¹² The RFA was released in January 2019, and the RFP was released in August 2019. [REDACTED]

[REDACTED] Table 3.1 presents a list of key solicitation milestones and completion dates. Unless otherwise noted, all milestone dates were met.

Table 3.1: Key Milestones	
Milestones	Completion Date
RFA	
RFA Released	January 31, 2019
Optional Bidder Webinar	February 7, 2019
Questions Due from Bidders	February 13, 2019
Responses Provided by Company	February 21, 2019
Bidder Abstracts Due	March 14, 2019
Stage One Abstract Review Period Ends	April 22, 2019
Calibration Meetings Held	May 13–14, 2019
Shortlist Meetings Held	May 16, 2019
Shortlist Presented to PRG	June 4, 2019
RFP	
RFP Released	August 23, 2019
Optional Bidder Webinar	September 4, 2019
Questions Due from Bidders – Round 1	September 9, 2019
Responses Provided by SoCalGas – Round 1	September 16, 2019
Questions Due from Bidders – Round 2	September 19, 2019
Responses Provided by SoCalGas – Round 2	September 24, 2019
Bidder’s Proposal Due in Power Advocate	October 7, 2019
Calibration Meetings Held	November 12–13, 2019
Shortlist Meetings Held	November 18, 2019
Shortlist Presented to PRG	December 3, 2019
Contracting & Implementation	
Selected Bidder(s) Notified	January 22, 2020

¹¹ D.18-05-041, Sections 2.5.1 and 2.5.2.

¹² Joint IOU Program Solicitation Schedule, dated December 2018. Subsequently, the IOUs updated the Joint IOU Program Solicitation Schedule to reflect changes to other solicitations. Solicitation schedules are updated periodically by the IOUs and the current schedule can be found at caecc.org.

Table 3.1: Key Milestones	
Milestones	Completion Date
Contract Executed	June 2020 – delayed to August 2020
Advice Letter Approved	October 2020 (expected)
Contract Begins (Notice to Proceed)	December 2020 (planned)
Implementation Plan	February 2020 (planned)

3.3 Key Observations

Table 3.2 presents key observations and recommendations made by the IE and shared with the IOU and PRG throughout the solicitation and at its conclusion. Unless otherwise noted, the IOU was provided an opportunity to review, consider, and accept these recommendations. [REDACTED]

Table 3.2: Key Issues and Observations			
Topics	Key Observations	IE Recommendations	Outcomes
RFA			
[REDACTED]			
RFP			
RFA and RFP Requirements	There were 29 attachments and exhibits within the RFP document. This volume likely placed a significant burden on the bidder to review and adequately respond.	SoCalGas should significantly reduce the number of attachments/exhibits through process of elimination or, in some instances, defer them to the contracting phase.	The IOU collaborated with the IE pool to reduce the number of attachments/exhibits; [REDACTED]

Table 3.2: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
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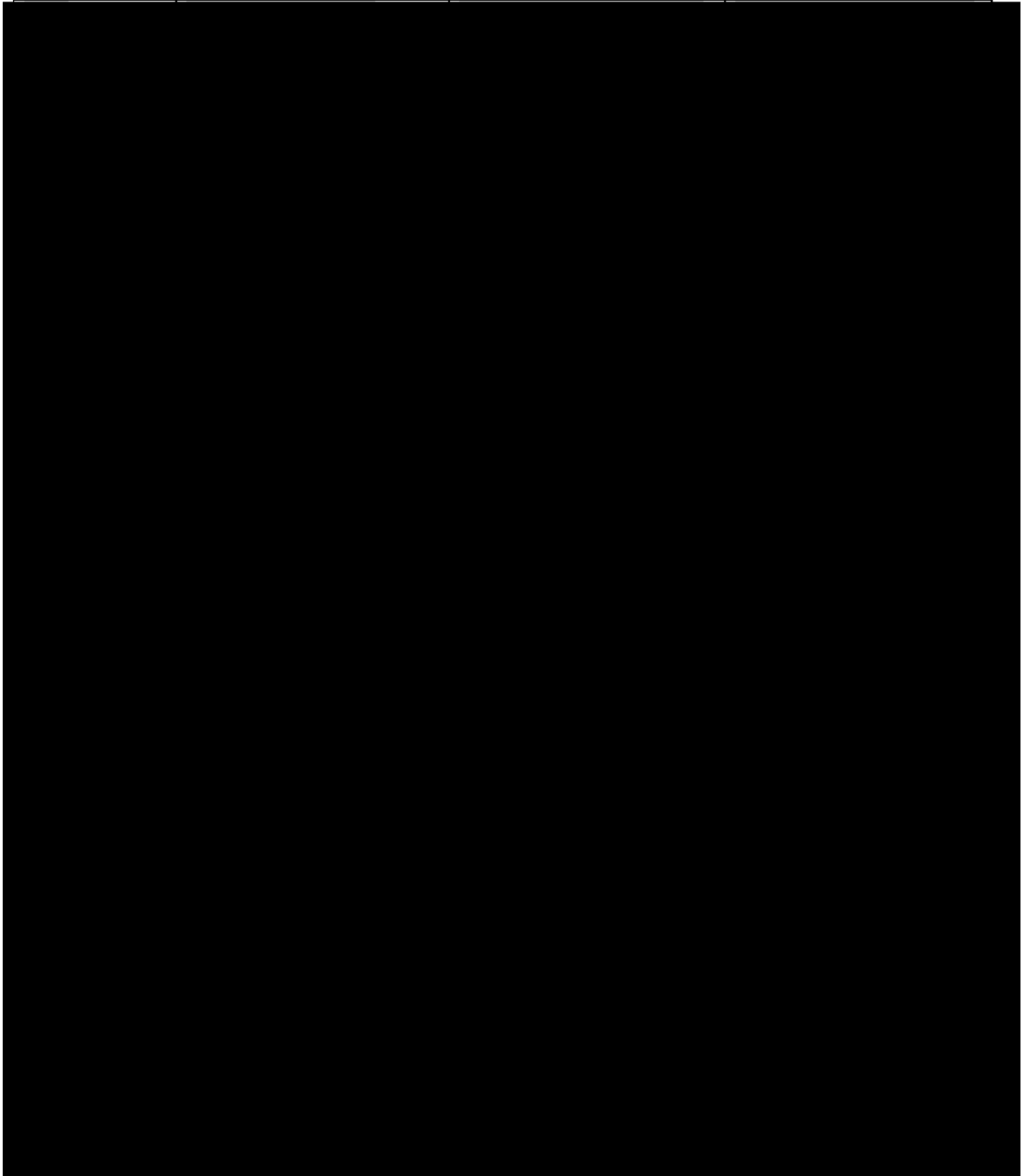


Table 3.2: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
[Redacted Content]			
Contract Negotiations			
Collaborative Negotiations	SoCalGas conducted collaborative contract negotiations which produced an improved program offering and cost-effectiveness showing at a lower cost to ratepayers. The collaboration created a sense of partnership among the IOU and implementer.	Collaborative negotiations focused on improving the program offering should be a primary consideration in contract negotiations across all IOU solicitations. This will likely improve program performance and promote cost-efficient program delivery.	Not shared with IOU during the solicitation.
[Redacted Content]			

Table 3.2: Key Issues and Observations

Topics	Key Observations	IE Recommendations	Outcomes
Implementation			
Implementation Plan	The Program will target both Hard-to-Reach (HTR) customers and customers with facilities in Disadvantaged Communities (DACs).	The IOU and implementer should include in the detailed program manual, an attachment to the Implementation Plan, ¹³ a data collection plan that will demonstrate that the individual facilities fall under the CPUC's DAC and/or HTR definition. This will avoid discrepancies regarding whether the facility should be considered either DAC or HTR in reporting to the CPUC.	Not shared with IOU during the solicitation.
Program Transition Plans	The Contract does not address any specific program transition plans among the IOU's existing program and the new third-party program. Since the small and medium-sized commercial customer group tends to have shorter project installation timelines, there will likely be few to no projects in the pipeline.	In the program's Implementation Plan, SoCalGas and implementer should detail a transition plan that addresses all existing and applicable small and medium sector projects contained with SoCalGas' project pipeline including potential projects (soft leads) that have not yet been served by the IOU's existing programs. The transition plan should also address any necessary customer communications to support a seamless transition.	Not shared with IOU during the solicitation.

¹³ Implementation Plan Template, Version 2, p. 5, dated January 2020.

4. Solicitation Outreach and Bidder Response

4.1 Bidder Response to Solicitation

The solicitation outreach relied on general awareness of SoCalGas’ program solicitations to the bidder community through several announcements and IOU-specific workshops regarding SoCalGas’ upcoming EE program solicitations. SoCalGas posted general information onto its third-party solicitation webpage and the California Energy Efficiency Coordinating Committee’ website.

RFA

Overall, the solicitation outreach was adequate, [REDACTED] on SoCalGas’ procurement website (i.e., PowerAdvocate) interested in the initial RFA. The number of abstracts received slightly surpassed expectation. Table 4.1 summarizes SoCalGas’ actual response to the local program solicitation.

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

RFP

As result of SoCalGas’ evaluation of the [REDACTED] Table 4.2 summarizes SoCalGas’ actual response to the local program solicitation.

	Number
Proposals Invited	[REDACTED]
Proposals Received	[REDACTED]
Proposals Disqualified	[REDACTED]
[REDACTED]	[REDACTED]

4.2 Bidder’s Conference and Q&A

RFA

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

RFA Bidder Conference Date	February 7, 2019
Number of Attendees (Est.)	28
Number of Questions Received	16

RFP

During the RFP stage, SoCalGas held a Bidders' Conference on September 4, 2019. Potential bidders had ample time during the conference to ask questions. Bidders were also provided two opportunities after the Bidders' Conference to provide written questions. In response, SoCalGas received a total of 10 questions covering an array of topics such as energy savings types (e.g., NMEC, customized), disadvantaged workers, availability of customer usage data, and expected program launch date. Of particular interest, one bidder asked that SoCalGas provide a master measure list with currently-approved CPUC assumptions similar to a list provided by PG&E to its bidders in another solicitation. SoCalGas indicated that it did not have such a list for this solicitation. [REDACTED]

[REDACTED] SoCalGas provided timely responses to all bidder questions. Bidder conference details are provided below.

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

4.3 Solicitation Design Assessment

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

5. RFA and RFP Design and Materials Assessment

5.1 Design Requirements and Materials

RFA

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

RFP

The RFP requirements were adequate and provided SoCalGas sufficient details on the bidders' proposals. The RFP also required additional information that was not necessary to evaluate proposals. For example, the RFP required bidders to present detailed tasks associated with program activities. In the RFP materials, the IOU provided a detailed list of suggested program activities and required the bidder to confirm that it will support such activities or identify deviations from these activities. [REDACTED]

[REDACTED] Additionally, there are opportunities to combine and reduce requirements associated with bidder experience and staffing. Overall, the RFP requires more information than is necessary to make the necessary selections.

5.2 Response to PRG and IE Advice

SoCalGas provided an opportunity to its PRG and IE to review the RFA and RFP materials.

[REDACTED]

- [REDACTED]

[REDACTED]

- [REDACTED]

[REDACTED]

- [REDACTED]

[REDACTED]


- [REDACTED]





6. Bid Evaluation Methodology Assessment

6.1 Bid Screening Process

RFA

SoCalGas conducted a bid screening process which consisted of two threshold requirements: timeliness and completeness of submissions. 



RFP

SoCalGas implemented a bid screening process consistent with the approach presented to bidders in the RFP. The bid evaluation consisted of two parts: (1) a threshold assessment to determine the responsiveness of the proposal to minimum requirements; and (2) proposal content scoring (for proposals that meet the threshold assessment requirements). SoCalGas first evaluated the threshold assessment criteria (Items A, B, and C) on a pass/fail basis, as presented below. Only proposals that received a “Pass” on the threshold assessment were evaluated for proposal content.

Threshold Assessment Criteria

- A. On-time submittal via PowerAdvocate
- B. Proposal responsiveness
- C. Bidder and proposed program are eligible if bidder meets the RFP requirements and the proposal does not include the following:
 - Unproven new energy efficiency technologies, tool development, research and development (R&D), or completion (market testing) of a product;
 - Demonstration, pilot, or “proof-of-concept” projects, R&D prototypes, and limited production technologies that cannot support a full-scale EE program;
 - Statewide EE programs and programs that overlap or duplicate the efforts of statewide EE programs;
 - Programs that are primarily based on behavioral measures (Note: Resource program designs which include a behavioral-based strategy are acceptable);
 - Income-Qualified EE programs and non-EE products or services;

- Programs that solely promote demand response programs;
- Non-EE programs/services and services that support other EE programs;
- Evaluation, measurement and verification (EM&V) consulting services and program support services;
- Programs that are solely non-resource (Note: Resource program designs which include non-resource strategies, such as marketing and training, are acceptable);
- Local Government Partnership or Regional Energy Network Programs or programs that overlap or duplicate the efforts of Local Government Partnerships or Regional Energy Networks; or
- Programs based solely on deemed measures, without supporting CPUC-approved deemed workpapers.

6.2

RFA

Table 6.1: RFA Scoring Rubric

Category	Weighting	Subcategory	Weighting
[Redacted]			

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

[Redacted]

[Redacted]

RFP

As stated in the RFP, and as shown below in more detail, [Redacted]

[Redacted]

[Redacted]

6.3 Evaluation Team Profile

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

[Redacted]

[Redacted]

[Redacted]

6.4 Response to PRG and IE Advice

SoCalGas provided the opportunity for both the PRG and IE to review and comment on the proposed bid evaluation methodology including the detailed scorecard. [Redacted]

[Redacted]

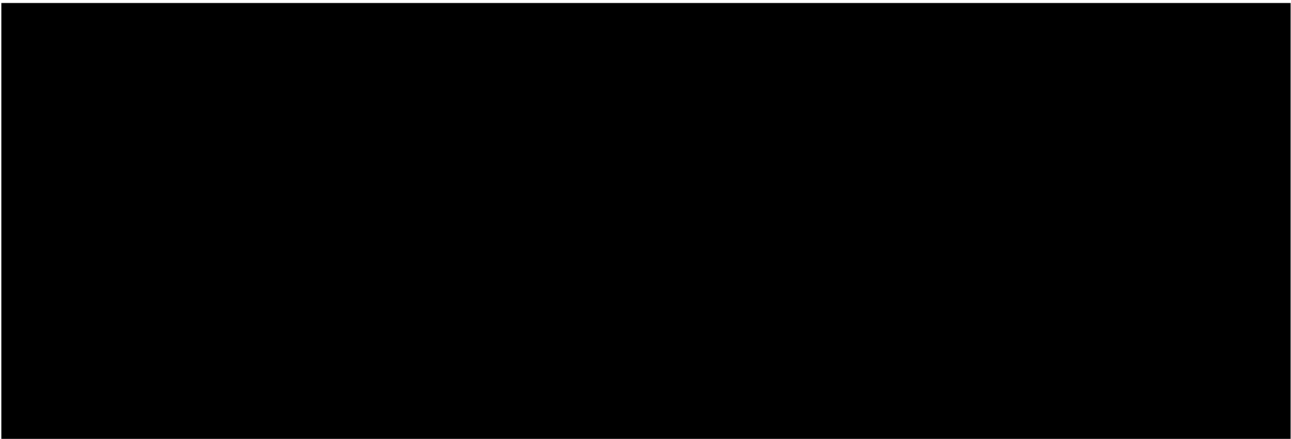
- [Redacted]




7. Final Bid Selection Assessment


7.1 Conformance with Established Evaluation Processes

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



CET REVIEW

The CET review included confirmation by the IOU's CET experts and engineering staff that the bidder's CET showings applied the correct CPUC-approved assumptions and methodologies. The review also checked for consistency among the CET inputs and with the proposed program design.



CPUC WORKFORCE AND DISADVANTAGED WORKER POLICIES

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

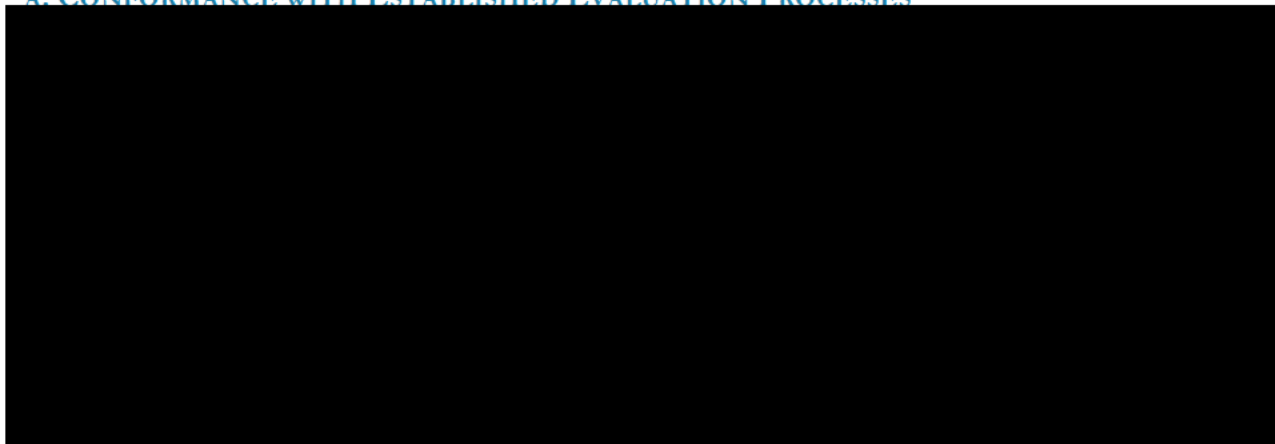
7.2 Management of Deficient Bids

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

7.3 Shortlist and Final Selections

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

A. CONFORMANCE WITH ESTABLISHED EVALUATION PROCESSES



B. PORTFOLIO FIT

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



C. RESPONSE TO PRG AND IE ADVICE

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

7.4 Affiliate Bids and Conflict of Interest

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

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

identified as part of this solicitation.

8. Assessment of Selected Bids

8.1 Bid Selection Respond to Portfolio Needs

The IE supports the IOU's decision to select [REDACTED] to serve the small and medium commercial customers. SoCalGas' decision to split the service territory among two bidders was reasonable given the large size of the territory, the preference to minimize risk by using two implementers, and the proposal of one bidder, [REDACTED].

The IE supports the IOU's selection of the [REDACTED] because it offers a comprehensiveness measure mix, includes an innovative, data analytic-based customer targeting approach, a focus on DAC and HTR customers, and reliance on a local contractor trade ally network to support customer's EE equipment retrofits. Overall, SoCalGas' final selection was sound and reasonable.

8.2 Bid Selections Provide the Best Overall Value to Ratepayers

The selected [REDACTED] provides the best overall value to ratepayers within the competitive pool of bids in this solicitation. The implementer, [REDACTED] is a very experienced program implementer who currently delivers commercial and residential EE programs to more [REDACTED].

[REDACTED] Both of these DBE's are located in California.

The program will provide cost-effective energy savings for SoCalGas' small and medium-sized commercial customers throughout the service territory with the exception of Riverside and San Bernardino counties. The program's cost effectiveness showing is very promising considering the small and medium commercial customer group typically has a lower TRC forecast than the balance of the nonresidential program portfolio. [REDACTED]

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

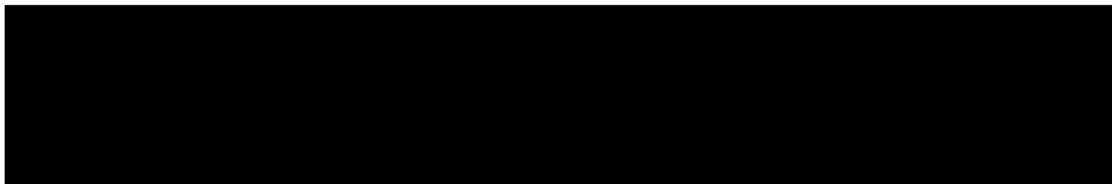
The following addresses the specific attributes of the selected program and the value to ratepayers.

1) COST-EFFICIENCY – SIMPLE ACQUISITION COST

[REDACTED] is consistent with SoCalGas' Commercial sector program forecasts as presented in the IOU's 2021 Annual Budget Advice Letter process. [REDACTED] [REDACTED] is targeting an historically difficult to serve

customer group with much less energy savings potential per customer compared to large commercial customers. Simple acquisition cost is an indicator of a program's cost efficiency (i.e., the price tag of a therm). It is a quick, convenient way to compare programs across a program portfolio. The calculation does not consider the longevity of the annualized energy savings. The total program cost is divided by the program's expected total first year net annualized energy savings.

The following [REDACTED] with SoCalGas' total Commercial sector forecast for 2021.¹⁴ The IOU's Commercial sector forecasts includes all commercial programs including statewide mid-stream programs, statewide downstream programs, and local commercial programs including those targeting large commercial customers. As a result of collaborative contract negotiations, SoCalGas and ICF produced a cost per therm that is consistent with the IOU's 2021 commercial sector forecast.



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

a) ACHIEVE ALL COST-EFFECTIVE ENERGY EFFICIENCY

[REDACTED] capturing approximately 1,269,792 net therms annualized energy savings over a three-year program cycle. After SoCalGas allocated a portion of the planned small and medium commercial solicitation budget to another implementer, [REDACTED] expected to achieve a total 1,023,737 net therms of annualized energy savings over the Contract term.

Over the next three years, SoCalGas' EE portfolio goals increase by 31 percent over 2020 levels.¹⁵ [REDACTED]

[REDACTED] The CPUC or the IOU should consider increasing the Contract value to provide flexibility for the IOU and implementer to capture additional EE gas opportunities that may arise over the life of the Contract. The program's operational budget can be maintained at the proposed level.

b) TRC

The [REDACTED] cost-effectiveness forecast is demonstrably better than SoCalGas' 2021 program portfolio forecast as shown in the table below. The program's forecast was confirmed by SoCalGas' engineering and program staff. The prospective cost-effectiveness showing does support the notion that third-party program implementers can help improve the cost-effectiveness of the overall program portfolio.

¹⁴ Advice 5684, Table 3, dated September 1, 2020.

¹⁵ D.19-08-034, Attachment 2, Data Form, Tab D.



c) INNOVATION

To be “innovative,” the RFA and RFP instructed bidders that their proposal must demonstrate that the program will ultimately increase the uptake of cost-effective energy efficiency by advancing a technology, marketing strategy, and/or delivery approach in a manner different from previous efforts. [REDACTED] several innovative program elements such as direct installation of energy management technologies, analytics-based customer targeting, DAC/HTR outreach, targeted marketing, and a strong trade ally network that will promote retrofit projects using a combination of incentives and financing.¹⁶ [REDACTED] customers. This is especially important to the targeted customer group as it contains over 160,000 small and medium-sized commercial customers located throughout SoCalGas’ 24,000 square miles throughout Central and Southern California.¹⁷ If successful, this new approach to customer outreach is likely to result in increased customer participation at a reduced program engagement cost.

d) IDSM

SoCalGas does not have any demand reduction programs directed at the small and medium customer groups. However, the Contract [REDACTED] program administrators managing energy efficiency, water efficiency, environmental improvement measures or clean energy programs.¹⁸ [REDACTED] should also look for ways to promote water efficiency in coordination with local water agencies. As new IDSM offerings become available, SoCalGas should work with the Implementer to promote such offerings to the targeted customer group.

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

[REDACTED] to target facilities that fall under the Disadvantaged Communities (DAC) or hard-to-reach (HTR) definitions.¹⁹ [REDACTED] community-based outreach efforts and establish strategic partnerships aligned with unique customer segments. [REDACTED] as well as local Chambers of Commerce who can provide appropriate customer support and follow-up with DAC/HTR

¹⁶ Statement of Work, Section 3.0, p.30.

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

¹⁸ Section G, Modifiable Terms and Conditions, pp. 23-24.

¹⁹ D.18-05-041, FOF 14 and 11.

customers.²⁰ [REDACTED] is to achieve 40% participation from HTR customers and targeted customers within DACs.²¹

The IOU and implementer should include in the detailed program manual, an attachment to the Implementation Plan,²² a data collection plan that will demonstrate that the individual facilities fall under the CPUC's DAC and/or HTR definition. This will avoid discrepancies regarding whether the facility should be considered either DAC or HTR in reporting to the CPUC.

[REDACTED]
As for supporting Disadvantaged Workers (DW), [REDACTED] workforce development. Per the Contract, the specific Disadvantaged Worker Plan will be presented in the final Implementation Plan (IP). Since the Implementation Plan will be drafted only after CPUC contract approval, it is important for the CPUC's Energy Division to review specific DW requirements detailed in the final IP to confirm compliance with applicable CPUC directives. The Contract also lists various DW-related contractual obligations, such as tracking and reporting DW activities.²³

[REDACTED]
The Contract requires the implementer, and its subcontractors, to comply with the CPUC's workforce standards related to HVAC and advanced lighting controls installations.²⁴ However, the [REDACTED].

f) DEEP & PERSISTENT ENERGY SAVINGS

[REDACTED] will offer a measure mix which includes longer-lived measures. All program measures have an effective useful life of 5 years or more. With the Program's focus on comprehensiveness, it is reasonable to expect the Program will deliver deep and persistent energy savings for its participants.

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

i)

[REDACTED]

²⁰ Program Approach, Section 3.1, pp.30-31.

²¹ Table 4, Key Performance Indicators, pp. 68-69.

²² Implementation Plan Template, Version 2, p. 5, dated January 2020.

²³ Reporting and Tracking Disadvantaged Worker and Job Creation, p. 48.

²⁴ Part B, Modifiable Terms and Conditions, Section A.1, p. 20.

²⁵ Schedule C, Table 9.



OVERALL ASSESSMENT OF COMPENSATION

Given the level of customer incentives, the reliance on fixed-fee deliverable pricing (i.e., direct installed EE measures), and the unique market barriers facing the small and medium-sized customer group, the proposed compensation approach is reasonable. The Contract prices associated with the fixed-fee deliverable pricing and fixed-unit pricing also seem reasonable.²⁶ Compensation tied to a post-installation metered energy savings approach is not practicable given the lower energy usage of the targeted customer group especially the smaller and diverse customers (i.e., <10,000 therms usage per year) within this group.

ii) REALIZED ENERGY SAVINGS



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

iii) SUPPORTS PORTFOLIO AND APPLICABLE SECTOR METRICS ACHIEVEMENTS

SoCalGas' 2019 Annual Budget Advice Letter (ABAL) provides a list of all CPUC-approved portfolio and sector metrics.²⁷ These metrics include a baseline year (2016) of results and a forecast of expected performance which extends through 2025. The Program's focus on small commercial customers should produce an increase in the small commercial customer participation level over previous years which supports sector metrics #168 and #169. Also, the Program's focus on HTR customers will directly support sector metric #175.

3) PROGRAM ALIGNMENT WITH EE PLANNING PRINCIPLES

²⁶ Schedule C, Table 10.

²⁷ Advice 5349-A, Appendix B, dated October 29, 2018.

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

The Program's goal is well within SoCalGas' 2021 Commercial sector energy efficiency forecast. SoCalGas does not provide a specific 2021 EE forecast in its 2021 ABAL filing for the targeted small and medium customer group. Neither does the CPUC's EE potential study assign a specific potential for energy efficiency savings for the customer group.²⁸ As a result, we compared the Program's energy savings forecast with the overall Commercial sector forecast presented in SoCalGas' 2021 ABAL filing. [REDACTED] will produce approximately 254,000 therms (net, annualized) or 6% of the IOU's 2021 Commercial sector EE forecast. [REDACTED] will target about 162,000 commercial customers (with the exception of those customers operating in Riverside and San Bernardino counties) representing over 65% of the IOU's energy usage for the Commercial sector. Based on the 2021 energy savings forecast of the overall Commercial sector (4.3 million therms) and the annual energy usage of the targeted customer group, we can reasonably conclude there is more than adequate market and goal potential for the Program to succeed.

b) PROJECTED ENERGY SAVINGS FROM VIABLE MEASURES

The [REDACTED] will offer viable energy efficiency measures. The Program's energy savings forecast is based on a combination of direct install, deemed, and customized energy savings. The implementer will offer a comprehensive list of measures from simple direct install measures such as pipe insulation to more sophisticated solutions such tankless water heating and food service equipment.²⁹ Special care will be taken by the Program to avoid potential customer double-dipping of program incentives with SoCalGas' midstream commercial offerings.³⁰ The proposed measure mix is viable for the targeted customer group especially the program's focus on customer segments with predominantly high natural gas loads, such as hospitality, restaurants, laundries, small medical, and office buildings.

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

The Contract requires the Program to be consistent with current CPUC Measurement & Verification (M&V) rules and requirements.³¹ Due to the program design which is dictated by the targeted smaller commercial customer group, there is not an NMEC approach presented in the Contract. The Implementer is required to provide a final M&V Plan as part of the program's start-up activities.³² There should be an active review of the of M&V Plan, by CPUC EM&V staff, to confirm the appropriateness of the data collection plan in support of potential EM&V studies.

9. Reasonableness of Contracting Process

9.1 COLLABORATION ON FINAL PROGRAM DESIGN AND SCOPE

[REDACTED]

²⁸ D.19-08-034, OP 1.

²⁹ Attachment 9, Table 7, pp. 76-78.

³⁰ Schedule A, Term 49, p. 12.

³¹ Part B, Section H.3, p. 24.

³² Schedule C, Table 10, p. 80.

[REDACTED]. The IOU and the bidder had several meetings to discuss various Contract issues included:

- Reducing direct install measure pricing,
- Expanding the measure mix, clarifying CET assumptions,
- Clarifying the relationship with midstream program offerings,
- Changing specific SoCalGas' proposed Contract provisions,
- Coordinating with publicly-owned utilities and other IOUs, and
- Reducing the overall direct implementation, non-incentive budget to align with the CPUC cost category threshold levels.

[REDACTED]

The IOUs are not required to provide CET forecast at the sector or segment level, so it is uncertain how this compares to SoCalGas' planned 2021 small/medium commercial forecasts. This does, however, support the notion that third-party program implementers, working collaboratively with portfolio administrators, can improve the IOU's program portfolio cost-effectiveness forecast.

9.2 FAIRNESS OF NEGOTIATIONS

SOLICITATION BUDGET

The primary changes to program scope was driven by SoCalGas' preference for two implementers to effectively serve the IOU's vast territory. [REDACTED]

[REDACTED]

[REDACTED]

The SoCalGas' reduction to the bidder's initial budget is reasonable in light of the IOU's preference to rely on two implementers to serve the targeted customer group. Relying on two implementers to serve all small and medium commercial customers across a vast service territory spreads the risk of potential non-performance. During contract negotiations, the IOU expressed a willingness to increase the program's funding levels if there were more opportunities for cost-effective energy

³³ Advice 5684, Table 1. The proposed Commercial sector annual budget includes all commercial offerings across all customer groups, including large commercial customers and mid-stream programs directed at the commercial sector.

efficiency within the targeted customer group. The IE recommends the IOU and implementer closely monitor program expenditures and financial commitments throughout the life of the Contract and seek timely regulatory approval, as needed, to avoid any program closures due to lack of authorized program funds.

9.3 CHANGES TO CONTRACT TERMS & CONDITIONS

To be compliant with CPUC directives, SoCalGas provided the bidder with both the standard and modifiable CPUC terms and conditions at the start of contract negotiations.³⁴ DAC has reviewed all documents and confirmed the CPUC’s terms and conditions are included in the agreement with the specific modifications as discussed below:

- **CPUC Standard Terms** – The agreement keeps the CPUC Standard terms and conditions intact and only makes permissible changes or additions.
- **Order of Preference** – Based on the IE’s recommendation, SoCalGas did include in its Company’s additional terms that if there is a conflict between any provision in the attachments or the agreement, the CPUC’s standard terms and conditions are given priority and take precedence.
- **CPUC Modifiable Terms** - The CPUC modifiable terms and conditions are mostly unchanged and the limited changes are positive as they appear to make administration of the Contract easier for both parties. For example, the Contract allows either the implementer or SoCalGas to withdraw from the Contract in response to CPUC approved contract modification. Previously, the CPUC modifiable terms and conditions allowed only the IOU to withdraw from the Contract. Also, changes to the modifiable terms allows the implementer, not just the IOU, to withdraw from or modify the Contract due to CPUC changes to policies that affect the program rules.
- **IOU Additional Terms** - There are some potential conflicts between SoCalGas’ additional terms (Schedule A) and the CPUC’s standard terms (Schedule A-1) but they are avoided because Section 52 of SoCalGas additional terms gives preference to CPUC’s standard terms, as explained above. A few examples of these potential conflicts that are avoided are shown in the table below.

Standard Term	Conflicting Additional Term	Resolved
Schedule A-1, Section C, Dispute Resolution Process Paragraph 1, Disputes and Section D, Termination Process, Paragraphs 1 & 2	Schedule A, Section 17, Retention of Payments; and Section 25, Offsets; and Section 37 Suspension of Work.	Schedule A-1, Section 52, Order of Precedence
Schedule A-1, Section C, Dispute Resolution Process, Paragraph 1, Disputes	Schedule A, Section 30, Disputes	Schedule A-1, Section 52, Order of Precedence

³⁴ D.18-10-004, OP 7.

9.4 CONFORMANCE WITH CPUC POLICIES AND OBJECTIVES

Overall, the Contract directs the implementer to conform to all applicable CPUC energy efficiency policies. Below is a discussion of key policies not already addressed.

25 PERCENT THIRD-PARTY REQUIREMENT

The [REDACTED] was executed well in advance of SoCalGas' September 30, 2020 deadline for recording the Contract value towards the IOU's minimum 25% third-party threshold requirement.³⁵ Specifically, the IE received the executed Contract on August 31, 2020. However, the Contract does not record the execution date. In the future SoCalGas should date stamp the executed Contract to demonstrate that it complied the CPUC minimum threshold requirement.

In the calculation of the minimum threshold requirement it is unclear whether the IOUs are consistently calculating the threshold requirement. The CPUC should provide greater clarity to the IOUs on the proper calculation to be applied to the third-party threshold requirement. This should include direction on the specific annual budgets, including the applicable iDSM funds, to be included in the numerator and denominator within the calculation. The CPUC should also direct the IOUs to report their threshold accomplishments, supported by calculations, in the annual budget advice letter and/or annual energy efficiency report.

CUSTOMER INCENTIVES

The [REDACTED] incorporates most of the recommendations provided in the CPUC's incentive guidance as presented below:

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

³⁵ 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.

Table 9.3: Conformance with CPUC Incentive Guidance	
behavioral, retro-commissioning, or operational savings, for projects with savings measured with normalized metered energy consumption approaches.	

PROGRAM TRANSITION PLAN

SoCalGas' Solicitation Plan³⁶ provides an approach to transitioning existing IOU EE projects to the new third-party implementer. In short, the IOU program implementation responsibilities will be assumed by the third-party program implementer on a mutually agreed date. The Contract does not address any specific transition plans. Since the small and medium-sized commercial customer group has shorter project installation timelines, there will likely be few to no projects in the IOU's existing program pipeline.

SUPPORT SERVICES

The Contract reflects a program proposed and designed by the third-party program implementer. SoCalGas will provide basic utility support services such as general marketing support and customer data services.³⁷ These support services are reasonable and will likely improve the program's performance. The implementer did not opt for enhanced support services (e.g., developing marketing materials, etc.) that were presented in the RFP.³⁸ Of special note, SoCalGas does not currently offer account management support to this smaller-sized customer group, and thus it did not offer such an optional support service to the bidder.

KEY PERFORMANCE INDICATORS

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

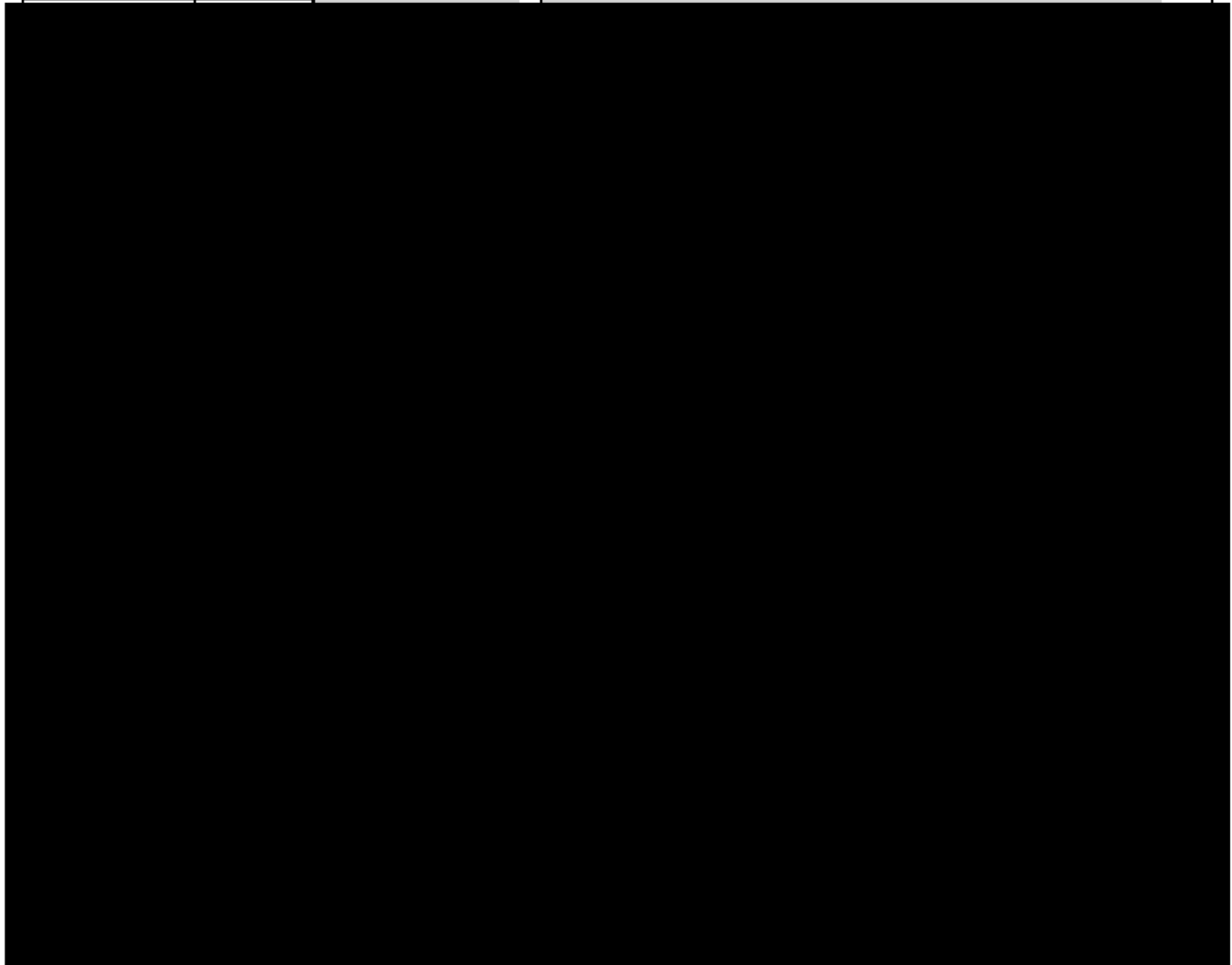
Table 9.4: Program KPIs			
Category	Program Type	KPI	KPI Definition

³⁶ Southern California Gas Company Energy Efficiency Program Solicitation Plan, dated August 4, 2017, Section IX, pp. 25-27.

³⁸ Attachment 5, SoCalGas Enhanced Program Support Services

Table 9.4: Program KPIs

Category	Program Type	KPI	KPI Definition
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9.5 UNIFORMITY OF CONTRACT CHANGES

At the conclusion SoCalGas’ final bid selection decision, the IOU entered contract negotiations with two selected bidders: [REDACTED]. As a starting point for negotiations, and consistent with CPUC direction, SoCalGas gave the bidders a set of CPUC standard and modifiable terms and conditions. Along with the CPUC’s terms and conditions, the IOU provided its proposed additional terms in a separate document.³⁹ At the conclusion of both contract negotiations, the contract terms and conditions were the same among the [REDACTED] [REDACTED] Contracts. As previously discussed, there were no changes made to the CPUC standard terms and conditions (see, Section 9.3 Changes to Contract Terms & Conditions).

³⁹ D.18-10-008, OP 6 and 7. The initial contract did not include definition of terms presented in the footnotes to the CPUC standard or modifiable terms and conditions. Instead, as instructed by the CPUC footnotes, SoCalGas defined these terms in the RFP or in the Agreement (i.e., Schedule B, Scope of Work).

[REDACTED] target different geographical locations with slightly different program approaches. As a result, the Contracts also reflect differences such as incentive levels and direct install offerings. During negotiations, SoCalGas did strive for a common and comprehensive measure mix among both Contracts to reduce the potential for lost opportunities and improved program experience with customers who have multiple facilities across the IOU's service territory.

[REDACTED]