

PUBLIC UTILITIES COMMISSION

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March 18, 2021

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Dear Mr. van der Leeden:

Energy Division approves the third-party contract advice letter 5737-G (AL5737) for the Statewide Commercial Midstream Water Heating energy efficiency program, effective March 18, 2021 and subject to the contingencies discussed throughout and summarized in Section 4. Energy Division makes these determinations pursuant to Decision (D.) 18-01-004, which requires Energy Division staff review of third-party contracts valued at over \$5M.

1. Background

In D.18-01-004 the CPUC assigned the statewide water heating program administration to Southern California Gas (SoCalGas). Pursuant to this assignment SoCalGas implemented a two-stage solicitation process to procure an implementer for the program. The solicitation included a Request for Abstract (RFA) stage and Request for Proposal (RFP) stage. The first stage (RFA) was completed in 2019, and the RFP was launched early in 2020. Bidder RFP responses were collected and shared with the Procurement Review Group (PRG) in May of 2020. The Independent Evaluator provided reports to the SoCalGas Procurement Review Group (PRG) monthly from the start of the RFA phase to the final award selection.

In August 2020, three months following the selection of an implementer for the program, an error was detected in the CPUC's water heating Cost-Benefit Calculator. Corrections to the calculator reduced benefits from water heating technologies by about two-thirds for all measures, lowering TRC values across the board. As a result, the program forecast TRC fell below 1.0 and SoCalGas requested the implementer adjust program measure quantities to meet a minimum TRC threshold of 1.25, in alignment with the requirements of SoCalGas' portfolio forecast TRC requirement.

On December 4, 2020, SoCalGas submitted AL 5737 seeking approval of a third-party contract from the Statewide Commercial Midstream Water Heating Program solicitation, pursuant to D.18-01-004. On December 24, 2020, Sierra Club and CalAdvocates filed separate protests to AL5737. On January 4, 2021 SoCalGas filed a reply to the protests.

The focus of EE Staff review is on the fairness of the solicitations process, and adherence to general filing and program requirements. Approval of third-party contract advice letters does not constitute CPUC approval of the program design or implementation plan. It is the responsibility of SoCalGas to ensure all operations and third-party engagements comply with the approved Business Plan and CPUC decisions.

2. Cal Advocates Protest and SoCalGas Reply Comments

Cal Advocates' recommended CPUC reject AL5737 on the basis of the following:

- The solicitation process was not competitive as required by Decision (D. 18-01-004) and the Procurement Review Group (PRG) Solicitation Guidelines.
- The SW Midstream Water Heating Program is inconsistent with existing policies that require energy efficiency programs to promote market transformation and work towards the state's decarbonization goals.
- SoCalGas's failure to disclose measure quantities to the PRG and Independent Evaluators (IEs) during the solicitation process prevented PRG review and recommendations.
- The Independent Evaluator Final Report (IE Final Report) fails to include all substantive concerns and issues that arose in the PRG meetings as required by D.18-01-004.

CalAdvocates also made two recommendations in its protest, intended to improve the solicitation process:

- Energy Division should establish requirements for the investor-owned utilities (IOUs) to take initiatives on workpaper submissions and encourage manufacturer participation, to expedite the workpaper process.
- Energy Division should consider the SW Water Heating Program in the context of the Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning (OIR) in terms of implications for natural gas dependent ratepayers.

2.1. CalAdvocates' Protest: *The solicitation was not competitive.*

CalAdvocates argued that SoCalGas did not conduct a competitive solicitation because it did not allow all bidders to re-submit their program proposals after the CPUC corrected an error in the Water Heater Cost-Benefit Calculator. Correcting the error resulted in a reduction in savings and as a result, the cost-effectiveness of water heating measures by two-thirds.

SoCalGas had already entered contract negotiations with the selected implementer, DNV GL, before the CPUC's Water Heater Calculator error was corrected.¹ The reduced measure cost-

¹ Advice Letter 5737-G, Confidential Appendix A, Final IE Report, page 20

effectiveness led to the need for DNV GL to make changes to the measure mix quantities.² CalAdvocates argues that the revisions to the program measure mix quantities should have triggered a re-submission of all bids, so that all Bidders could adjust their measure quantities. CalAdvocates' protest states "... other bidders were unable to incorporate the corrected inputs from the Water Heater Calculator to determine whether their programs were more cost-effective than DNV GL's program proposal."

In its reply to protest, SoCalGas notes that Cal Advocates and all PRG members were alerted in October 2020 of the Water Heater Calculator error and the need to update the program measure quantities as a result. SoCalGas requested that DNV GL restructure their proposed measure mix quantities to meet a minimum 1.25 program TRC. SoCalGas states that no member of the PRG suggested or requested the solicitation be re-open because of the correction to the calculator and subsequent measure mix updates.

SoCalGas asserts that all proposals were evaluated on an equal basis because all bidders submitted proposals using the same tools and calculators, and no bidder had an advantage over any another during the bidding process. Further, SoCalGas notes that it selected DNV GL's program primarily for its program design and that no substantial program design changes were made in the negotiation phase, only updates to the measure quantities.

Discussion

Neither SoCalGas nor CalAdvocates assert the solicitation process was biased or non-competitive from its launch through the commencement of contract negotiations. Thus, DNV GL had no advantages over other Bidders during the competitive portion of the solicitation.

The details of the scoring rubric are confidential to the public but available to the PRG. ED staff review of the scoring rubric supports SoCalGas' assertion that the basis of selection was not substantively altered by corrections to the Cost-Benefit Calculator. Moreover, the Calculator corrections reduced cost-effectiveness uniformly for water heating measures, and thereby would not substantially change the relative TRC ranking of proposed programs. For these reasons, ED concludes the solicitation was competitive and does not adopt CalAdvocates' recommendation to reject AL5737.

2.2. CalAdvocates' Protest: The SW Commercial Midstream Water Heating Program is inconsistent with California's policy and climate goals.

CalAdvocates argues that the proposed SW Commercial Midstream Water Heating Program fails to support California's climate goals due to the program's high proportion of gas measures relative to fuel substitution and electric measures. CalAdvocates states that meeting California's decarbonization and climate goals requires that program interventions in the water heater market focus on transforming the water heating market into a primarily electric-fueled equipment market.

² Ibid

In its reply, SoCalGas states that the SW Commercial Midstream Water Heating Program is an energy efficiency program, and as such is designed to procure cost-effective energy efficiency savings using available deemed measures. The IE Report acknowledges that the goal for the program solicitation as stated in SoCalGas' approved Business Plan was to 'push higher efficiency water heaters into the non-residential market.'³

Discussion

Both CalAdvocates and SoCalGas cite market statistics indicating a large majority of commercial water heater sales are natural gas-fueled equipment. Thus, it is not surprising that a program designed to serve today's commercial market would be comprised mostly of gas water heating measures.

Upstream and midstream programs may offer incentives for approved deemed measures, which currently include both gas-fueled and electricity-fueled water heating equipment. Additionally, there is flexibility for the measure mix to evolve over time. It is expected that as electric and fuel substitution water heating equipment becomes more cost effective over time, they will also grow as proportion of the program measure mix.

Moreover, the statewide water heating program is funded by both gas and electric ratepayers, and therefore should be designed to procure cost-effective savings on behalf of both sets of ratepayers. Energy Division does not find the program design or measure mix to be in violation of applicable requirements and therefore does not reject AL5737 based on the share of gas versus electricity-saving measures.

2.3. CalAdvocates' Protest: SoCalGas did not disclose measure quantities to the PRG and Independent Evaluators (IEs) during the solicitation process preventing a comprehensive PRG review.

In its protest CalAdvocates argued that the PRG could not review and assess the program because neither the measure quantities nor measure types were timely revealed to the PRG. CalAdvocates acknowledged that initial measure quantities were provided to the PRG in June 2020, but that the availability of measure quantities was not specifically mentioned to the PRG at that time. CalAdvocates also reported that SoCalGas did not deliver updated measure quantities in a timely manner. CalAdvocates notes it requested revised measure quantities on October 6, 2020 (following the revisions made to accommodate corrections to the Water Heater Calculator) and that SoCalGas provided the requested information three weeks later, on October 26. CalAdvocates noted that at this point contract negotiations were almost complete, and the PRG and the IEs had not seen the final measure quantities. CalAdvocates recommended that in the RFP stage of future third-party solicitations that proposed measure quantities be presented to the IE and the PRG in a more transparent format.

In its reply to protest SoCalGas stated that each bidder participating in the RFP stage was required to provide a proposed list of program measure types and measure quantities as part of their bid. All

³ Advice Letter 5737-G, Confidential Appendix A, Final IE Report, page 16

proposal materials submitted by bidders, including these measure details, was provided to the PRG for review prior to the May 2020 PRG meeting where it was discussed.

However, SoCalGas also acknowledges this information could be made more readily accessible and agrees that for future solicitations, measure quantities will be provided in a format that is clearer to PRG members. Further, SoCalGas acknowledges that there was a prolonged and unnecessary delay in providing CalAdvocates the information it requested on October 6th. SoCalGas apologizes to the PRG for this delay and commits to better tracking of PRG requests going forward to ensure a timely provision of requested information to the PRG.

Discussion

The RFP information shared by SoCalGas with the PRG in advance of the May 2020 PRG meeting complies with the PRG guidelines, and no party has suggested otherwise. A review of the materials distributed to the PRG members ahead of the May 2020 meeting demonstrates members were made aware of the measure type offerings, and the relative amounts of gas savings versus electric savings in each proposed program. This information was part of a summary table at the start of each Bidders proposal materials. The more granular Cost Effectiveness Test (CET) inputs and outputs were also made available to the PRG in May and encompass all measure details. Per the current PRG guidelines, PRG members are free to request more detailed information from the program administrator about any solicitation. Thus, Energy Division does not reject AL5737 based on SoCalGas' untimely provision of the information necessary for a comprehensive PRG review.

Energy Division agrees with CalAdvocates and SoCalGas that measure quantity information could be provided in a clearer and more accessible manner, and that SoCalGas and the other program administrators should do so on a going forward basis. Energy Division also agrees that SoCalGas must improve its tracking of PRG requests and timely provision of information to the PRG, and endeavor to respond to PRG information requests within a two week period on a going forward basis.

2.4. CalAdvocates' Protest: *The Independent Evaluator Final Report (IE Final Report) fails to include all substantive concerns and issues that arose in the PRG meetings as required by D.18-01-004.*

In its protest CalAdvocates stated that the IE Final Report fails to recognize its substantive concerns over the timing and transparency of SoCalGas' information sharing during the solicitation process. CalAdvocates argued the CPUC should reject AL 5737 due to the omission of this key concern in the IE report. CalAdvocates recommends the CPUC reiterate the requirement that IE Final Reports address all concerns raised by PRG members regarding the solicitation process.

The IE Final Report endorsed the bid selection process, describing it as “long, intensive, and comprehensive”⁴ and characterizes the contract negotiation process as “fair and transparent”.⁵

⁴⁴ Advice Letter 5737-G, Confidential Appendix A, Final IE Report, page 16

⁵ Advice Letter 5737-G, Confidential Appendix A, Final IE Report, page 20

In its response to protest SoCalGas included statements from the IE and the selected bidder (DNV GL) addressing the protests. The IE's statement acknowledges the Final Report focused on CalAdvocates' concern regarding policy consistency with building decarbonization efforts and not on transparency concerns. The IE also states that while there was a delay in SoCalGas' response to CalAdvocates' information request, the delay was due to an internal communication error not to lack of transparency in the solicitation.⁶

Discussion

Decision 18-01-004 states "...the use of IEs is designed to lend arms-length expertise evaluating the fairness of the conduct and results of the solicitation process by the IOUs."⁷ By including an IE statement in the protest response, there is a perception that SoCalGas and the IE are not in adherence to this arms-length principle. Ideally, IE perspectives are gathered solely in the more neutral forum of the PRG. Going forward Energy Division staff requests that *IEs consult with Energy Division staff before providing any statements for protest-related filings*. By consulting with IEs on these matters, staff will help find viable alternatives and avoid such filings in the future, except where extenuating circumstance warrant otherwise.

With respect to the IE omission of CalAdvocates' concerns about the transparency of the solicitation process in the IE Final Report, ED staff finds the omission regrettable but not sufficient grounds to reject the advice letter. The IE Final Report, as submitted, is otherwise comprehensive and clearly endorses the solicitation process and its level of transparency. Further, concerns about the transparency of the solicitation were not raised by PRG members during the RFA or RFP processes, but only in the contract negotiation stage, after the implementer and program design had been selected.

2.5. CalAdvocates' Protest Recommendation: Establish clear requirements for the IOUs to take initiative on workpaper submissions and increase incentives for manufacturers to expedite the workpaper process.

CalAdvocates asserts that the CPUC should require program administrator leads of statewide programs to create new workpapers prior to and during the solicitation process. CalAdvocates recommends that these new workpapers be presented to the PRG prior to finalizing winning bidder selections following the RFP, and that these additions will make the solicitation process more transparent. CalAdvocates also recommends the CPUC conduct outreach and provide incentives to manufacturers to encourage them to submit workpapers for new technologies to the California Technical Forum (CalTF). CalAdvocates asserts these additional efforts will help ensure innovative deemed energy efficiency measures are available to receive incentives in energy efficiency programs.

SoCalGas argues that CalAdvocates requests are not appropriate subjects for an advice letter protest per GO 96-B, section 7.4.2. Rather, such requests are policy questions which would require either a Commission decision or modification of a prior decision.

⁶ SoCalGas Reply to Protest, page 10

⁷ D.18-01-004, page 38

Discussion

The workpaper process is currently a separate process from third-party program solicitations. Making procedural or guideline changes to either process is outside the scope of this advice letter, and therefore Energy Division rejects CalAdvocates recommendation to make such changes here. Consideration of such changes to the third-party solicitation process could be initiated through the PRG solicitation guideline updates. Changes to the workpaper process could be considered within the context of the DEER resolution, or through the rulemaking (R.13-11-005).

2.6. CalAdvocates' Protest Recommendation: CPUC should consider the SW Commercial Water Heating Program in the context of the Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning (OIR) in terms of implications for natural gas dependent ratepayers.

CalAdvocates argues that SoCalGas' proposed program is inconsistent with the Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning (OIR). CalAdvocates cites the ruling statement:

“Over the next 25 years, state and municipal laws concerning greenhouse gas emissions will result in the replacement of gas fueled technologies and, in turn, reduce the demand for natural gas. Thus, in order to ensure safe and reliable natural gas service at just and reasonable rates in California, the Commission will...(3) implement a long-term planning strategy to manage the state's transition away from natural gas-fueled technologies to meet California's decarbonization goals.”⁸

In its reply to protest, SoCalGas finds CalAdvocates' argument to be outside the scope of an advice letter protest per GO 96-B, section 7.4.2 and that the requests embedded in the protest are policy questions which would require either a CPUC decision or modification of a prior decision.

Discussion

Energy Division's review of the OIR does not find inconsistency between its objectives and the legitimacy of the Commercial Midstream Water Heating program. In particular, the OIR is concerned with managing the expected decline in natural gas use over the next 25 years to ensure safe and reliable gas systems and just and reasonable rates. Nowhere does the OIR state an intention to ensure that the demand for natural gas declines as expected. The OIR states:

“Track 2 will determine the regulatory solutions and planning strategy that the Commission should implement to ensure that, as the demand for natural gas declines, gas utilities maintain safe and reliable gas systems at just and reasonable rates, and with minimal or no stranded costs.”⁹

⁸ R.20-01-007, OIR

⁹ Ibid

Gas appliance measures, including water heating measures, are currently authorized components of the energy efficiency portfolio. The issue of whether the CPUC should disallow incentives for efficient gas water heaters, or for all gas appliances, is outside the scope of this advice letter because it would require relitigating existing measure authorizations. The question of whether the matter should be taken up in the OIR, or the energy efficiency rulemaking (R.13-11-005), or through adjustments to the Avoided Cost Calculator within the IDER rulemaking (R.14-11-003), should be considered by those proceedings and cannot be appropriately resolved through the disposition of AL5737.

3. Sierra Club Protest and SoCalGas' Response

In their protest, Sierra Club states that they share the concern of CalAdvocates with the high proportion of gas measures in the program. They find the large share of gas-fueled equipment to be contradictory to California's climate goals, and to undermine the potential for water heating decarbonization through fuel substituting of electricity for natural gas. Sierra Club argues that continued incentives for gas appliances will result in higher levels of fossil fuel combustion, and that the efficiency gains from efficient gas water heating pale in comparison to those available with electric heat pump technologies. Sierra Club points out that gas water heating emits methane undermining the achievement of California's methane reduction requirements.

Sierra Club further argues that SoCalGas should have no role in appliance incentive programs, due to SoCalGas' opposition to electrification measures. Sierra Club references SoCalGas' lobbying of local governments to oppose electrification and involvement with the organization Californians for Balanced Energy Solutions.

SoCalGas asserts that Sierra Club's protest lacks any allegation of wrongdoing by SoCalGas related to the subject of AL5737, and that there is no basis within the context of the advice letter for determining SoCalGas should not be permitted to administer appliance incentive programs. SoCalGas cites CPUC direction to SoCalGas to undertake the administration of a statewide water heating program in D.18-05-041. SoCalGas notes the allowable basis for advice letter protest per GO96B is limited to the following:

1. The utility did not properly serve or give notice of the advice letter.
2. The relief requested in the advice letter would violate statute or CPUC order, or is not authorized by statute or CPUC order on which the utility relies.
3. The analysis, calculations, or data in the advice letter contain material errors or omissions.
4. The relief requested in the advice letter is pending before the CPUC in a formal proceeding.
5. The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process. Or,
6. The relief requested in the advice letter is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require relitigating a prior order of the Commission.¹⁰

¹⁰ GO 96-B, section 7.4.2.

SoCalGas also asserts that an advice letter protest is not an appropriate procedural vehicle for Sierra Club to oppose SoCalGas' fitness for the administration of appliance programs because to do so would require a modification to D.18-05-041.

Discussion

Sierra Club's argument that incentivizing gas-fueled water heating technologies conflicts with California's decarbonization and climate goals goes beyond the scope of AL5737 and is not a valid basis for advice letter rejection. Gas appliance measures, including water heating measures, are currently CPUC-authorized components of the energy efficiency portfolio. The CPUC sets natural gas energy efficiency savings goals for the program administrators that are based on the market potential for gas measures, including gas water heating deemed measures. Energy Division cannot determine gas water heating measures are ineligible for incentives within the scope of this advice letter because that would require the CPUC to relitigate previous orders, including:

- Natural gas savings goals in the potential and goals decision (D.19-08-034).
- DEER Resolution (E-5082) addressing water heating measures and directing SoCalGas to update water heating measure workpapers per the corrected water heater calculator.
- Business Plan authorization decision (D.18-05-041) that assigns the administration of a statewide water heating program to SoCalGas.

General Order 96B does not allow for advice letter protests on the grounds the relief sought in the advice letter is unjust, unreasonable, or discriminatory where such protest would require relitigating a prior order of the CPUC. Energy Division will not reject AL5737 on the grounds of Sierra Club's argument that SoCalGas is not a suitable administrator of appliance programs, or that gas water heating measures are not suitable for ratepayer-funded energy efficiency programs, because either finding would require relitigating prior CPUC decisions. Note that new Energy Efficiency Business Plans have been called for,¹¹ and the application proceeding that will follow may provide an appropriate platform to reconsider statewide program leads.

4. Direction to SoCalGas

Energy Division directs the following of SoCalGas:

- SoCalGas must improve its tracking of PRG requests and timely provision of information to the PRG and respond to PRG information requests within a two week period whenever possible on a going forward basis.
- SoCalGas shall present each Bidder's proposed program measure quantity information to the PRG in a clear and accessible manner, as recommended by CalAdvocates. This information shall be made available by SoCalGas in advance of PRG meetings where RFP results will be discussed.

¹¹ Assigned Commissioner and Administrative Law Judges' Amended Scoping Ruling Addressing Impacts of COVID-19, July 3, 2020. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M342/K189/342189331.PDF>

- An Implementation Plan for this contract is due to be posted no later than May 17, 2021 in keeping with Ordering Paragraph 2 of D.18-05-041, requiring posting within 60 days of CPUC third-party contract advice letter approval.

Please direct any questions regarding Energy Division's findings in this non-standard disposition to Christina Torok (christina.torok@cpuc.ca.gov).

Sincerely,

Handwritten signature of Edward Randolph, with "(for)" written below it.

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

Cc: Service Lists R. 13-11-005 and A.17-01-013
Pete Skala, Energy Division
Jennifer Kalafut, Energy Division
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December 4, 2020

Advice No. 5737

(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 Statewide Midstream Water Heating 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 Statewide Midstream Water Heating (SW-WH) Program, resulting from the SW-WH 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

¹ In OP 2, the utility PAs are Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and SoCalGas.

² D.18-01-004, at 61.

to be submitted via a Tier 2 Advice Letter for those contracts that are valued at \$5 million or more and/or with terms of longer than three years.

D.18-05-041 assigned lead PAs to specific statewide (SW) programs and downstream pilot programs, and vested each Lead PA with full authority, including assignment of personnel to manage the program on behalf of the Commission.³ The Commission identified the various areas of sole responsibility as the lead PA.⁴ Among these responsibilities is the “procurement and contract administration” of the SW program.⁵ As the designated SW lead PA for the SW-WH Program,⁶ SoCalGas is submitting this Advice Letter for the new SW-WH Program to be implemented on behalf of PG&E, SCE, SoCalGas, and SDG&E (California’s four IOUs).

The SW-WH Program is a distributor-centric model design, which will collaborate with a network of distributors that specialize in the sale of efficient electric and natural gas measures. Point-of-sale discounts and incentives will be paid at the midstream level to distributors based on transactions and sales to contractors. All customers with commercial rate structures served by one of California’s four IOUs are eligible for program participation.

The SW-WH Program is expected to contribute 8,337,737 net kWh and 4,721,771 net therms over three years. Eleven percent of the savings will target hard-to-reach (HTR) customers and 12 percent of those in disadvantaged communities (DACs). The total resource cost (TRC) ratio for this program is forecasted to be 1.38. As such, it is a cost-effective program offered at the SW level. This contract will also be counted by the California’s four IOUs towards meeting individual obligations to have a minimum of 60 percent third-party designed and delivered programs in their portfolio by 2022. In particular for SoCalGas, this program will be part of its required 40 percent requirement by December 31, 2020.⁷

Third-Party Contract Solicitation

The SW-WH Program is the only third-party contract resulting from the SW-WH Solicitation and has a budget that meets the threshold requiring Commission approval of the contract. The SW-WH Program contract is listed in Table A, below.

³ D.18-05-041, at 80.

⁴ *Id.*, Conclusion of Law (COL) 13 at 172-173.

⁵ *Id.*, COL 13 at 172.

⁶ D.18-05-041 Table 3 at 92.

⁷ D.18-01-004 OP 1b.

Table A: Contracts in the Statewide Midstream Water Heating Solicitation			
Contract		Budget	Duration
Statewide			
1.1	Statewide Midstream Water Heating Program	See Appendix B	36 months

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

Table B: General Contract Summary – DNV GL Energy Services USA Inc.		
1	Solicitation name	Statewide Midstream Water Heating
2	Type of program: local, regional, or statewide	Statewide
3	Delivery Type – specify the delivery type (i.e., direct install, upstream, midstream, or downstream).	Midstream
3.1	A. Direct Install/ Downstream Customer Targeting (Yes or No)	No
3.2	B. Customer Targeting brief description, if applicable.	N/A
3.3	C. Midstream/ Upstream Market Actors receiving incentives (i.e., manufacturers, distributors, contractors, or other (specify)).	Midstream – Vendor/Distributor
4	Market/Sector(s)	Commercial and Multifamily
5	Customer Segment(s)	<ul style="list-style-type: none"> • Accommodation and food service (NAICS 72) • Healthcare and social assistance (NAICS 62) • Educational services (NAICS 61) • Retail Trade (NAICS 44-45) • Arts, entertainment and recreation (NAICS 71)
6	Third-Party Implementer/ Subcontractor name	DNV GL Energy Services USA Inc. Subcontractors: Ecometric Consulting LLC Kelliher Samets.Ltd (DBA KSV)
7	Name of program or service	Statewide Midstream Water Heating Program

Table B: General Contract Summary – DNV GL Energy Services USA Inc.		
8	Brief description of program or service (2-3 sentences).	The Statewide Commercial Midstream Water Heating Program is a distributor-centric model design, which will collaborate with a network of distributors that specialize in the sale of efficient natural gas and electric measures. Point-of-sale discounts and incentives will be paid at the midstream level to distributors based on transactions and sales to contractors. All customers with commercial rate structures served by one of the four IOUs are eligible for program participation.
9	Total kWh Energy Savings (First year, net)	8,337,737
10	Total MW Energy Savings (First year, net)	N/A
11	Total therms Energy Savings (First year, net)	4,721,771
12	HTR Customers. ¹ Provide forecasted total number of HTR customer accounts (by customer segment) receiving program and total savings (net first year kWh, kW, and therms) to HTR customers from program over all years program in effect.	Program Year (PY) 2021 – 3,714 customers, 140,230 forecasted net therms and 205,080 forecasted net kWh PY2022 – 4,784 customers, 168,488 forecasted net therms and 316,109 forecasted net kWh PY2023 – 5,981 customers, 210,677 forecasted net therms and 395,962 forecasted net kWh
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.	PY 2021 – 4,051 customers, 152,979 forecasted net therms and 223,724 forecasted net kWh PY2022 – 5,219 customers, 183,805 forecasted net therms and 344,846 forecasted net kWh PY2023 – 6,524 customers, 229,829 forecasted net therms and 431,958 forecasted net kWh

Table B: General Contract Summary – DNV GL Energy Services USA Inc.		
14	Forecasted Number of Customers Served by PY	PY2021 – 21,192 PY2022 – 28,256 PY2023 – 32,320
15	Area(s) Served (including service territory, climate zones, cities, and/or counties, as applicable).	The Statewide Commercial Midstream Water Heating Program will cover the electric and gas service territories of all four IOUs, representing all 16 California Building Climate Zone Areas defined by the California Energy Commission. Implementer will work with local municipalities to identify potential strategic partnerships to address those geographies not served by IOUs.
16	Program TRC ratio [Cost Effectiveness Tool (CET) output]. ⁸	1.38
17	Program Administrator Cost (PAC) ratio (CET output)	1.64
18	Program \$/kWh (TRC levelized cost, CET output)	\$0.05
19	Program \$/kWh (PAC levelized cost, CET output)	\$0.04
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)	\$0.55
23	Program \$/therm (PAC levelized cost, CET output)	\$0.46
24	Budget: Forecast budget by PY for each year contract in effect.	See Appendix B
25	Budget: Forecast expenditures by PY for each year contract in effect.	See Appendix B
26	Budget: Total Program Budget (include explanation for difference, if any, from total contract budget provided in Table A).	See Appendix B
27	Budget: If EE/Demand Response component to the program, provide dollar amount and percent of total budget dedicated to EE/DR component.	N/A
28	Measure(s)	Gas Storage Water Heaters,

Table B: General Contract Summary – DNV GL Energy Services USA Inc.		
		Gas Tankless Water Heaters, Gas Boilers, Electric Heat Pump Water Heaters, Fuel Substitution Heat Pump Water Heaters, Recirculation Pump Timers, Domestic Hot Water Pump Demand Controls, New Measure Development: Grid Integrated Water Heating and Solar Thermal Water Heating.
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 - Midstream
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 SW-WH 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 MCR Consulting (MCR). 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 July 12, 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 46 days to develop RFA documents, which were required to be submitted to PowerAdvocate on September 27, 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 January 23, 2020.

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 January 29, 2020. Bidder submissions were due through PowerAdvocate on March 4, 2020.

The RFP requested Bidders to provide more details about their proposed abstract(s), including cost-effectiveness calculations, measurement and verification (M&V) information, and other documents to assist SoCalGas in making its selection. Bidders were encouraged to maximize the program's cost-effectiveness as measured by the CPUC's TRC and PAC tests. The Bidders' Stage Two proposals were required not to offer a program that was materially different than the program described in the Bidders' Stage One abstracts. Failure to comply with this requirement would have resulted in immediate rejection and disqualification of the Bidder's Stage Two proposal. After scoring the proposals, with oversight by the IE, and presenting to the EE PRG, SoCalGas notified the selected shortlist of Bidders on May 15, 2020. Negotiation of contracts followed, with execution of the contract requiring Advice Letter approval occurring on December 4, 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 SW-WH 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 August 19, 2019. During the RFP stage, a pre-bid conference was held on February 10, 2020.

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

Over the course of the SW-WH Solicitation, SoCalGas received a total of 40 questions from the bidding community. In the RFA stage, overarching themes included clarification on the scope of work and contractor qualifications. In the RFP stage, overarching themes included explanation of CET requirements, SoCalGas Enhanced Support Services available, and saving goals.

1.c) Independent Evaluator Participation

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

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

A. Pre-screening:

- RFA and RFP: After the bids were due, SoCalGas Supply Management conducted a Threshold Assessment to see if all required documents were submitted on-time. SoCalGas provided the results of the threshold review to the assigned IE for IE's agreement/feedback.
- RFP: A CET technical review was conducted by SoCalGas to identify any discrepancies in the assumptions. Meanwhile, an eligible programs criteria review was conducted by SoCalGas, based on the program eligibility criteria identified in the RFP. SoCalGas provided the results of both to the assigned IE for IE's agreement/feedback.
- RFP: An RFA/RFP consistency review was conducted by SoCalGas to confirm whether the proposal was significantly different from the abstract,

- based on the criteria identified in the RFP. At the end of the evaluation period, the assessment was presented for further discussion with the IE.
- B. Scoring Training: SoCalGas conducted scoring team training to help inform the scoring team about the scoring process and answer any immediate questions. The IE reviewed the training materials and guidance document; and observed the scoring training meeting.
 - C. Individual Scoring: SoCalGas distributed the RFA and RFP bid submissions that passed pre-screening to the scoring team and IE, with a due date/time. The IE conducted “shadow scoring” to better understand the way the scoring team was conducting its scoring and to help ensure the results were fair. IE scores were not part of SoCalGas’ official scores.
 - D. Calibration Meeting: The meeting was held after individual scoring was completed. IEs also participated in calibration meetings and offered observations.
 - E. Shortlists Meetings: The SoCalGas scoring team, including SoCalGas management and IE, met to discuss the results of the bids and recommendations.
 - F. Contract Negotiations: The IE oversaw the entire negotiation process and was included on all e-mail communications and invited to observe all meetings between SoCalGas and contractors.

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

RFA Development:

- IE participated in biweekly check-in calls with SoCalGas solicitation staff to review solicitation status, review and discuss evaluations and recommendations, and confirm solicitation timelines.
- IE reviewed final RFA document packages, and confirmed SoCalGas’ revisions in response to IE and PRG recommendations.
- IE affirmed that the RFA package was ready for launch as scheduled on August 12, 2019.

Consensus/Calibration Scoring Meetings:

- IE scored all abstracts independently of SoCalGas evaluators. IE used same two reference documents provided to SoCalGas evaluators when scoring abstracts.
- IE attended SoCalGas’ SW abstract calibration meetings. The purpose of the calibration meetings was for SoCalGas’ evaluators to discuss those questions in each abstract for which the range of scores among all SoCalGas evaluators was 2 or more.
- IE finds that SoCalGas evaluators had effective, robust conversations in which all evaluators participated without anyone taking over the discussions. The evaluators took their time and were methodical about findings and coming to a conclusion for each question.

RFA Shortlist Process:

- IE participated in SW solicitation shortlist meeting. SoCalGas evaluation teams met to discuss which abstracts in each solicitation were worthy of advancing to the proposal phase.

RFP Development:

- SoCalGas' EE PRG requested in August 2019 that SoCalGas reduce the number of documents associated with its RFP templates. IEs agreed that there were too many documents in the RFP package, making it difficult and time-consuming for Bidders to use. At SoCalGas' request, MCR coordinated the efforts of SoCalGas' IEs towards that goal.
 - The final collection of RFP template documents contained 16 documents:
 - RFP Main Document
 - 9 Attachments
 - 6 Exhibits
- IE Reviewed Package Documents for SW RFPs SoCalGas customized six “non-stock” RFP documents (three for each of the two SW solicitations) from the set of newly created template documents to fit the two SW solicitations: Attachment 1 – RFP Guide and Template, Attachment 2 – Compensation Workbook, RFP Main Document.
- IE focused its review on these six documents to ensure their regulatory compliance and accurate reflection of SW market and sector characteristics. IE also reviewed “stock” documents (the remaining template documents that could be used across solicitations without customization). The documents required only minimal improvements to clarity and corrections of references.
- IE Observation: The RFP Scorecard (and Scorecard Criteria) is arranged such that it is consistent with the sequence suggested by the PRG rubric. However, the RFP template is not organized in that same order. As a result, evaluators must jump back and forth in the abstract because the Scorecard questions are not in the same order as the proposal sections to which they refer.
- Recommendation: Order the questions in the Scorecard and Scorecard Criteria so they follow the order of the proposal sections.

RFP Stage:**Schedule & Timing**

- Issue: The PRG is concerned that SoCalGas is not taking control of the solicitation and, instead, letting the PRG establish solicitation milestones. This has the effect of allowing important dates to slide, which puts SoCalGas in danger of missing its savings goal deadlines.
- Recommendation: The IE recommends that SoCalGas clearly define its solicitation timeline and immediately inform the PRG should any changes become necessary. In this way, PRG members can plan accordingly in reaction to requests from SoCalGas to review solicitation documents.
- RFP Bidder Conference IE Monitored Bidder Web Conference on February 10, 2020.

- As is often the case, the conference moved through the initial part of the agenda faster than planned, but not so fast as to cause confusion.
- Section on “CET Training & Process” moved much more slowly and took its full allotted time, which was necessary and appropriate given the technical nature of the topic.

Calibration Meeting

- SoCalGas conducted a Calibration Meeting for the SW-WH Solicitation RFP. The purpose of the Calibration Meeting is to discuss those questions for which the range of SoCalGas evaluators’ scores was 2 or greater. It is not necessary for the evaluators to come to consensus, only that all can express how they came to score the Bidder’s response the way they did. This process increases the opportunity to apply consistent evaluation across Bidders and improves efficiency and consistency in proposal evaluation & scoring.
- The number of questions needing calibration for the solicitation was relatively small, compared to other solicitations. Also, the maximum range of scores was 2. Both details should indicate that SoCalGas’ evaluators are being trained well and understand the scoring criteria and how to apply them to the Bidders’ responses.
- The evaluators were more engaged than the IE assumed they would be, and they were able to give their full time and attention to the task. It was also apparent that each evaluator was qualified to participate as evaluators and there were no conflicts of interest. Additionally, there were few, if any, references by evaluators to past involvement with any Bidders that might have clouded the issue and introduced bias.
- The IE was involved occasionally in the Calibration Meeting to suggest another interpretation of a question or a Bidder’s response or to respond to the moderator’s request for clarification or the IE’s interpretation.

RFP Shortlist Process:

- SoCalGas evaluators conducted additional discussions of the Bidders’ proposal with management present to select which Bidders would be invited for contract negotiations, with IE oversight. The management representative asked questions about the Bidders’ proposals that prompted deeper discussion among the evaluators and helped solidify the choices for finalist.

Contract Negotiations:

- SoCalGas held Negotiation Kick-Off Meetings with its selected SW-WH solicitation implementer.
- SoCalGas has scheduled recurring weekly Negotiations Meetings for the SW-WH solicitation. All parties also agreed that ad hoc meetings are anticipated as issues or additional discussion points arise.
- In the last weeks of negotiations, several new issues arose that needed to be dealt with quickly, due to the imminent contract finalization date, including:

- An error was discovered in the CPUC's Water Heating Calculator v.4.1 that affected commercial building types by overstating water savings by a factor of three. This discovery meant that proposed implementer had to completely overhaul its measure list less than two weeks prior to the contract's presentation to the EE PRG.
- The proposed implementer requested a tiered rate structure to capture the cost of program ramp up in PY 1. SoCalGas requested a revised flat rate structure.
- The final draft contract was finalized on October 2, 2020 after over 15 weeks of negotiations.

2. Marketing and Outreach

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

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

3. Solicitation Event Schedule

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

Table C: Solicitation Event Schedule		
Activities		Date
Stage 1 RFA Events		
1	RFA issued	8/12/19
2	Pre-Bid Conference (optional)	8/19/19
3	Bidder's deadline to submit written questions	8/23/19
4	IOU response due to Bidder questions	9/4/19
5	Bidder's abstract submission due	9/27/19
6	Shortlist notification	1/23/20
Stage 2 RFP Events		
1	RFP issued	1/29/20
2	Pre-Bid Conference (optional)	2/10/20
3	Bidder's deadline to submit questions to IOU (two rounds)	2/14/20, 2/26/20
4	Bidder's deadline to submit CET to IOU for preliminary review (optional)	N/A
5	IOU responses due to Bidder questions (two rounds)	2/21/20, 3/4/20
6	IOU responses due to preliminary CET review	N/A
7	Bidder's proposal submission due	3/18/20
8	Bidder interviews conducted by IOU	N/A
9	Bidder shortlist notification	5/15/20
10	Contract negotiations and execution	12/4/20
11	Tier 2 Advice Letter submission	12/4/20

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 SW-WH Solicitation was MCR.

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 public version of the IE Report.

The IE provided findings to the EE PRG on:

- Final RFA Package - 7/2/19, 8/6/19
- RFA Evaluation Results and Shortlist Recommendations - 1/7/20
- Final RFP Package - 12/3/19
- RFP Evaluation Results and Shortlist Recommendations - 5/5/20
- Contract Update report-outs - 7/7/20, 8/4/20, 9/1/20, 10/6/20

Transition Plan from Pre-Existing Program to New Program

The SW-WH Program will replace SoCalGas' existing Commercial Midstream Water Heating program, SCG3814 Com – Midstream Water Heating. The SW-WH Program's "Effective Date" will be the date that the CPUC issues its written approval ("Written Approval") of the Advice Letter, which will also begin shutdown activities for the current Commercial Water Heating program. Shut down activities include direction that all services must be complete, all projects and measures installed, all incentives paid, along with the issuance of a Final Program Report.

The Implementation Plan will be drafted by DNV GL Energy Services USA Inc., the Third-party Implementer responsible for the design and delivery of the SW-WH Program. SoCalGas will work with the implementer to ensure that the final implementation plan and overall program design aligns with the scope of work in the implementer's contract. The final implementation plan will be posted on the California Energy Data and Reporting System (CEDARS) no later than 60 days after Commission approval of the Third-party contract.

With respect to the SW ramp-up activities, upon Written Approval, SoCalGas will provide the program details to the SW IOU team, which includes program management staff from each IOU. In addition, the Implementer will develop and maintain a catalog of measures and distribution channels (e.g., participating distributors, retailers, etc.) that are included in the SW program to manage double-dipping (i.e., paying duplicate incentives and energy savings credit for the same installed equipment). This catalog will be published and provided to the other IOUs to assist in their program planning and management of their local programs. SoCalGas will inform the SW team that SoCalGas will not monitor double-dipping at each IOU's local service territory and that it is the responsibility of each IOU to monitor and manage the double-dipping at a local level.

SoCalGas will manage double-dipping in its own service territory by working with its local implementers to notify them of the new SW program and provide them with the SW catalog. This should enable each local implementer to identify overlapping program measures and take steps to avoid double-dipping. Specifically, SoCalGas will instruct its implementers that they are not to purchase or install the specific products listed in the SW catalog based on specific identifiable parameters (e.g., manufacturer, make, model numbers, etc.) that are offered through the SW channels. SoCalGas will recommend that if the local implementers include energy efficient commercial water heating measures, they will need to purchase outside of the SW-WH delivery channels and measures, as noted in the SW catalog. Further, SoCalGas will be monitoring its local programs to ensure there is no overlap.

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 24, 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 January 3, 2021, 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:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

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

ATTACHMENT A

Advice No. 5737

Individual Energy Efficiency Independent Evaluator's Final Report (Redacted)

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.

**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:

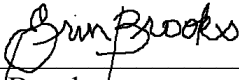
1. I am Erin Brooks, Customer Programs Policy & Support Manager in the Customer Programs and Assistance Department of Southern California Gas Company (“SoCalGas”). I was delegated authority to sign this declaration by Jeffery Walker, in his role as Vice President of Customer Solutions at SoCalGas. I have reviewed the confidential information included within SoCalGas’ Energy Efficiency Solicitations SharePoint regarding the *CONFIDENTIAL Energy Efficiency Statewide Midstream Water Heating 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 4th day of December 2020, at Los Angeles.



Erin Brooks/
Customer Programs Policy & Support Manager

ATTACHMENT A

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

Individual Energy Efficiency Independent Evaluator's Final Report

Southern California Gas Company Statewide Midstream Water Heating

Prepared by:



December 4, 2020

Table of Contents

1.	Background	1
2.	Solicitation Overview	2
2.1	Overview	2
a.	Solicitation Scope	2
b.	Solicitation Objectives.....	2
2.2	Timing.....	2
2.3	Key Issues and Observations	3
3.	Solicitation Outreach and Bidder Response	5
3.1	Bidder Response to Solicitation.....	5
3.2	Bidder Conferences and Q&A	6
3.3	Solicitation Design Assessment.....	7
4.	RFA and RFP Design and Materials Assessment	7
4.1	RFA Design Requirements and Materials	7
4.2	RFP Design Requirements and Materials	7
4.3	Response to PRG and IE Advice.....	8
5.	Bid Evaluation Methodology Assessment	8
5.1	Bid Screening Process	8
a.	Threshold Assessment	9
b.	Scoring	9
c.	Calibration.....	10
d.	Shortlisting.....	10
5.2	Scoring Rubric Design	10
5.3	Evaluation Team Profile	12
5.4	Response to PRG and IE Advice.....	13
6.	Final Bid Selection Assessment	14
6.1	Conformance with Established Evaluation Processes	14
6.2	Management of Deficient Bids.....	14
6.3	Shortlist and Final Selections.....	14
a.	Final Selection Process	14
b.	Portfolio Fit	14
6.4	Affiliate Bids and Conflict of Interest	15

6.5	Response to PRG and IE Advice.....	15
7.	Assessment of Selected Bid.....	16
7.1	Bid Selection Responds to Portfolio Needs.....	16
7.2	Bid Selection Provides Best Overall Value to Ratepayers	16
	a. Brief Program Description	16
	b. Quantitative Program Information	16
	c. Measurement and Verification	18
	d. Compensation.....	18
	e. Supports Portfolio and Applicable Sector Metrics Achievements ...	19
8.	Reasonableness of Contracting Process	20
8.1	Collaboration on Final Program Design and Scope.....	20
8.2	Fairness of Negotiations.....	20
8.3	Changes to Contract Terms & Conditions.....	21
8.4	Conformance with CPUC Policies and Objectives	21
9.	Conclusion	23

1. Background

This Independent Evaluator Final Solicitation Report (Report) provides an assessment of the Southern California Gas Company (SoCalGas) Statewide Midstream Water Heating third-party energy efficiency program solicitation process and associated outcomes. The Report is provided by the assigned Independent Evaluator (IE) for the solicitation, MCR Performance Solutions, LLC (MCR). The Report provides a record of the entire solicitation in compliance with the California Public Utilities Commission (CPUC) direction.¹

In August 2016, the CPUC adopted Decision (D.)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 D.18-01-004 directing the four California Investor-Owned Utilities (IOUs) – SoCalGas, San Diego Gas & Electric (SDG&E), Pacific Gas & Electric (PG&E), and Southern California Edison Company (SCE) – to ensure that their energy efficiency portfolios contain a minimum percentage of third-party designed and implemented programs by predetermined dates over the next three years.

For energy efficiency programs to be delivered uniformly throughout the service territories of the four IOUs, Ordering Paragraph (OP) 5 of D.16-08-019 ordered that a single Lead Program Administrator oversee the program. SoCalGas was appointed in D.18-05-041 as the Lead Program Administrator for the Statewide Midstream Water Heating program.²

The CPUC concluded in D.18-01-004 that “all utilities should utilize a two-stage solicitation process for third party programs unless there is a specific schedule-related reason only one stage is possible. The two-stage process should be the predominant approach,”³ with the two-stage process consisting of a Request for Abstract (RFA) stage, followed by a full Request for Proposal (RFP) stage.

In response to the CPUC requirement, the IOUs began releasing solicitations in 2018 and expect to continue releasing solicitations through at least 2021, with the desired result of contracting with third-parties to propose, design, implement, and deliver new energy efficiency programs.

In October 2019, all four IOUs sought extensions of the minimum percentage requirements of D.18-01-004 because of the additional time needed to establish new solicitation process protocols and procedures. On November 25, 2019, the CPUC granted the IOUs timeline extensions to meet the minimum percentage thresholds. The extensions granted to SoCalGas include:⁴

- At least 25 percent by September 30, 2020,
- At least 40 percent by December 31, 2020, and
- At least 60 percent by December 31, 2022.

The CPUC requires each IOU to assemble an Energy Efficiency Procurement Review Group (PRG). The IOU’s PRG, a CPUC-endorsed entity, is comprised of non-financially interested parties such as advocacy groups, utility-related labor unions, and other non-commercial, energy-related

¹ Decision 18-01-004, OP 5.c.

² Decision 18-05-041, Table 3, p. 92.

³ Decision 18-01-004, p. 31.

⁴ 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.

special interest groups. The PRG is charged with overseeing the IOU's energy efficiency program procurement process (both local and statewide), reviewing procedural fairness and transparency, examining overall procurement prudence, and providing feedback during all solicitation stages. Each IOU briefs its PRG on a periodic basis throughout the process on topics including RFA and RFP language development, abstract and proposal evaluation, and contract negotiations.

Each IOU is also required to select and utilize a pool of IEs to serve as consultants to the PRG. SoCalGas assigns one IE to each solicitation. For any assigned solicitation, the IE reviews and monitors the solicitation process, valuation methodologies, selection processes, and contracting to confirm an unbiased, fair, and transparent competitive process that is devoid of market collusion or manipulation. The IE is privy to viewing all submissions, is invited to participate in the IOU's solicitation-related discussions and is bound by confidentiality obligations.

This Report covers the activities associated with the Statewide Midstream Water Heating solicitation process from development of the RFA through execution of the resulting third-party contract. Many of the activities described in this Report also pertain to the Statewide Point-of-Sale Food Service solicitation that occurred concurrently. The Statewide Point-of-Sale Food Service solicitation is reported separately.

2. Solicitation Overview

2.1 Overview

a. Solicitation Scope

The scope of the Statewide Midstream Water Heating solicitation is non-residential⁵ customers throughout the four IOU service territories in California.

b. Solicitation Objectives

The Statewide Midstream Water Heating program's objective is to push higher efficiency water heaters into the non-residential market by leveraging the distributor and contractor communities. Leveraging the distributor and contractor communities allows SoCalGas to target all small, medium, and large non-residential customers.

2.2 Timing

SoCalGas conducted this solicitation using the two-stage process, as recommended in D.18-01-004. Table 1 details the key milestones for this solicitation.

⁵ Multi-family common area water heating equipment was acceptable within this proposal.

Table 1: Key Milestones	
Milestones	Completion Date
RFA	
RFA Released	August 12, 2019
Bidder Conference	August 19 & 21, 2019*
Abstracts Due	September 27, 2019
Abstract Scoring	September 28 to October 25, 2019
Calibration Meetings	November 4, 2019
Shortlist Presented to PRG	January 7, 2020
Bidders Notified	January 23, 2020
RFP	
RFP Released	January 29, 2020
Bidders Conference	February 10, 2020
Proposals Due	March 18, 2020
Proposal Scoring	March 25 to April 15, 2020
Calibration Meeting	April 21, 2020
Shortlist Meeting	April 27, 2020
Bidder Interviews	N/A
Shortlist Presented to PRG	May 5, 2020
Bidders Notified	May 15, 2020
Contract Negotiations	
Contract Negotiations	June 18 to September 24, 2020
Contract Presented to PRG	October 6, 2020
Contract Executed	December 4, 2020
Advice Letter Filed	December 4, 2020

*A second Bidder Conference was held due to technical difficulties during the first conference (see Section 3.2).

2.3 Key Issues and Observations

Table 2 identifies key issues and observations, the IE recommendations for each, and SoCalGas's response to each recommendation. The key issues are detailed in the appropriate sections of the Report.

Table 2: Key Issues and Observations

Topic	Observations	IE Recommendations	Outcome (IOU Action/Response)
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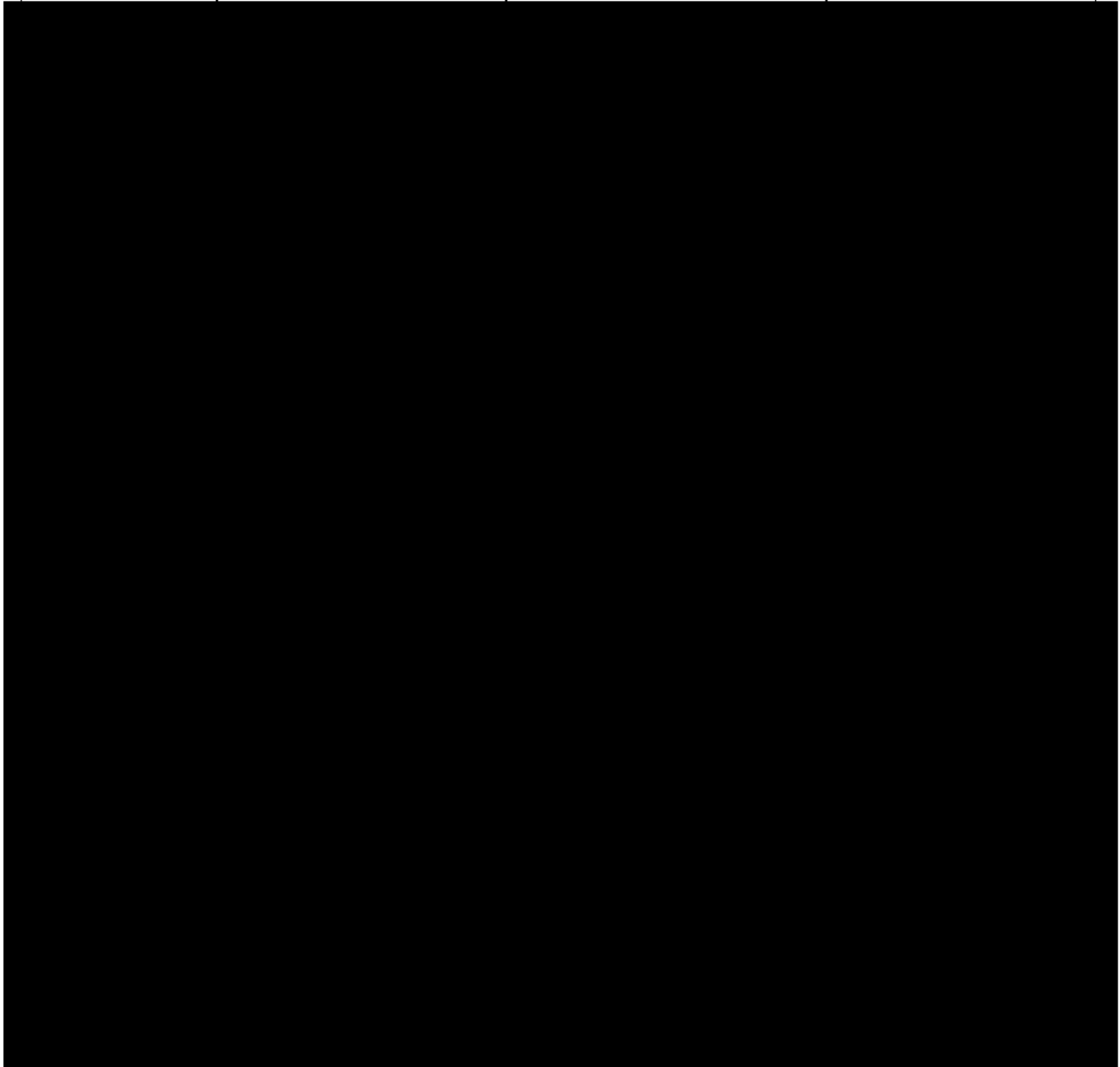


Table 2: Key Issues and Observations			
Topic	Observations	IE Recommendations	Outcome (IOU Action/Response)

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3. Solicitation Outreach and Bidder Response

3.1 Bidder Response to Solicitation

SoCalGas conducted outreach through the standard channels, resulting in [redacted] registered bidders as of the abstract due date (September 27, 2019), [redacted].

SoCalGas received [redacted] abstracts in response to the RFA released via PowerAdvocate on August 12, 2019. [redacted]

The final RFP package was released via PowerAdvocate on January 29, 2020. [redacted] bidders submitted proposals by the March 18, 2020 deadline. [redacted] Table 3 summarizes the overall responses to this solicitation.

Table 3: Solicitation Response	
Item	Count
RFA Stage	
Registered Bidders	
Abstracts Received	
Abstracted Disqualified	
RFP Stage	
Proposals Expected	
Proposals Received	
Proposals Disqualified	

3.2 Bidder Conferences and Q&A

SoCalGas held online RFA Bidder Conferences for the two statewide solicitations on August 19 and 21, 2019. The August 19 Conference was marred by a loss of functionality in the web meeting application for over 30 minutes. Fearing that bidders would drop off the Conference without full information, SoCalGas quickly scheduled and announced a second RFA Bidder Conference for August 21 before the August 19 Conference even ended. The second Bidder Conference on August 21 was completed without any technical issues.

Bidders asked eight questions during the two RFA Bidder Conferences, which were all answered in real-time during the Conferences. Additionally, bidders submitted four questions via PowerAdvocate in the following week. SoCalGas provided written responses to all 12 twelve questions to all registered bidders within a week of the second Bidder Conference.

SoCalGas held a single RFP Bidder Conference for the two statewide solicitations on February 10, 2020. Attendees asked nine questions during the RFP Bidder Conferences, again answered in real-time, and nine more before the first round of questions closed February 14, 2020. SoCalGas responded to all 18 first round questions on February 21, 2020. SoCalGas received 11 additional questions during the second round of bidder questions that ran through February 26, 2020. SoCalGas provided answers to the second-round questions on March 4, 2020.

Even though SoCalGas answered bidder questions during the Bidder Conferences, it always followed-up with written responses to all bidders. SoCalGas made it clear to the bidders that its written responses were its “official” responses. The approach of answering questions in real-time, followed by official written responses worked well because it kept bidders from having to wait for an answer. Although it never had to retract a verbal answer given during a Bidder Conference, SoCalGas could have quickly informed the bidder had it determined its verbal answer was incorrect.

SoCalGas’ approach of having two rounds of bidder questions was well received by bidders because it ensured that bidders had a second chance at clarifying SoCalGas’ solicitation.

The IE recommends that both these features (real-time responses to questions followed by written responses and two rounds of bidder questions) be considered as Best Practices for all solicitations.

Table 4 summarizes key characteristics of the RFA and RFP Bidder Conferences.

Table 4: Bidder Conferences	
Item	Date / Count
RFA	
Bidder Conference Dates	August 19 & 21, 2019
Number of Attendees	Unknown
Number of Bidder Questions Received	12
RFP	
Bidder Conference Date	February 10, 2020
Number of Attendees	Unknown
Number of Bidder Questions Received	Round 1: 18 Round 2: 11

3.3 Solicitation Design Assessment

The IE judges that SoCalGas met the program portfolio need as presented in its Business Plan, Solicitation Plan, energy efficiency energy savings goals, and applicable portfolio/sector metrics.

SoCalGas conducted this solicitation using the two-stage process, as recommended. The entire duration of the solicitation was monitored by the IE for oversight by the PRG.

4. RFA and RFP Design and Materials Assessment

4.1 RFA Design Requirements and Materials

The IE reviewed a final RFA document package that had already been vetted and approved in its draft form by other IEs and the PRG. Despite the previous reviews, the IE felt that the package needed additional study, since it had been significantly revised following its earlier reviews by other the IEs and PRG.

SoCalGas felt that the IE's additional review of the final documents should have been limited to ensuring that directives regarding statewide solicitations were followed and that the documents should not have been viewed as newly created. Consequently, SoCalGas did not adopt many of the IE's recommendations.

4.2 RFP Design Requirements and Materials

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

The resulting final RFP template package contained just 16 files – accomplished without eliminating files or changing the contents of any files – just changing how the materials were presented.

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

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

4.3 Response to PRG and IE Advice

During RFA development phase, the IE received pushback from SoCalGas on many of its recommendations to modify RFA documents that had previously been reviewed and approved in a draft form. Subsequently, the documents were modified to more of a template format, which made the differences of opinion over the IE's recommendations moot.

SoCalGas asked MCR to lead a cooperative effort by SoCalGas' IEs to consolidate SoCalGas' RFP document package. The IEs reviewed all the package's documents and made many recommendations to simplify and consolidate the package. SoCalGas agreed with and adopted more than one-half of the IEs' recommendations. Most of the recommendations with which SoCalGas disagreed and did not adopt conflicted with SoCalGas legal policy or were deferred to later solicitations for adoption.

SoCalGas subsequently developed the Midstream Water Heating Program RFP package using the newly consolidated template. The IE and PRG together made 37 recommendations for improving the RFP package (not including the Scoring Criteria, which are discussed in Section 5.2). Of those, SoCalGas accepted and adopted, at least partially, 33. Of the four recommendations not adopted, one was considered, but not adopted. The other three were comments or questions, rather than recommendations for change, so no action was requested or taken. Examples of the IE's and PRG's recommendations (both made regarding SoCalGas' request that bidders indicate what, if any, program support services they request from SoCalGas) included:

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

Overall, SoCalGas was more amenable to accepting IE and PRG recommendations about solicitation design and materials for the two statewide solicitations than in earlier solicitations.

5. Bid Evaluation Methodology Assessment

5.1 Bid Screening Process

For both the abstract and proposal stages of the solicitation, SoCalGas' bid screening consisted of two parts: 1) a threshold assessment to determine if the bidder's submission met minimum requirements (assessed on a pass/fail basis) and 2) scoring. Only bidder submissions that passed the

minimum threshold requirements (part 1 of the evaluation) were scored.⁶ Following scoring, SoCalGas calibrated its evaluators' scores and then determined which bidders should advance (shortlisted).

a. Threshold Assessment

SoCalGas disseminated and received all bid-specific information and submissions through PowerAdvocate. PowerAdvocate enabled SoCalGas to assess the following about each bidder's submission:

- Did the bidder submit materials on-time?
- Did the bidder follow instructions by:
 - Complying with page limits?
 - Submitting mandatory schedules (attachments)?
 - Completing key tables?
 - Providing an abstract and proposal that could be reasonably scored?
 - Complete and upload all required documents and attachments?

Additionally, in the proposal stage, SoCalGas also considered whether the proposal differed too much from the abstract on which it was based, in terms of:

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

b. Scoring

Abstracts and proposals were scored by a team of SoCalGas staff representing several functional areas. SoCalGas trained its evaluators with the goal "To provide the Scoring Team an overview of the Request for Abstracts (RFA) and Request for Proposals (RFP) scoring processes and to explain the Scorecard used in the evaluation of bidder abstracts and proposals."

SoCalGas provided its evaluators with a "Scoring Team Guidance" document that provided an overview of the RFA and RFP scoring processes and explained the scorecard tool used in the evaluation of bidder abstracts and proposals. This document was a very effective training and reference tool, and the IE recommends it be considered a Best Practice by the IOUs. SoCalGas also instructed the evaluators on the process to follow before, during, and after scoring and reminded them of the importance of bidder confidentiality.

Separately but concurrent with proposal scoring, SoCalGas reviewed each bidder's CET submissions to determine whether the information met SoCalGas' requirements. If necessary, SoCalGas asked the bidders clarifying questions. It is important to note that SoCalGas did not seek any corrections

⁶ SoCalGas RFP, at pp. 20-21.

and/or improvements to the bidder’s proposal after the close of the solicitation, except related to the CET inputs.⁷

c. Calibration

Upon the completion of scoring, questions on the Scorecard for which the range of evaluators’ scores was two or greater (called a “variance”) were discussed during Calibration Meetings. The purpose of the Calibration Meetings was to confirm consistency among the evaluators’ application of scoring criteria definitions by encouraging the evaluators to discuss the rationale behind their scores. Reducing the range of evaluators’ scores was not a necessary result. However, scorers could change their scores if, because of the discussions, they felt it necessary to do so.

A total of 10 variances were discussed at the Midstream Water Heating Calibration Meeting.

d. Shortlisting

Shortlisting reduces the number of bidders for the next stage of the solicitation. It involved SoCalGas evaluators meeting to discuss the plusses and minuses of each submission. Abstracts were shortlisted to invite only those bidders to the RFP stage whose submissions would likely result in viable programs. Proposals were shortlisted to determine which bidder(s) will advance to contract negotiations.

The results of the Midstream Water Heating shortlisting are described in Section 6.3.a.

5.2 Scoring Rubric Design

Table 5 details the four major categories in the Midstream Water Heating abstract scoring rubric, along with their component subcategories and weights. Abstract scoring was more heavily weighted towards [REDACTED].

Table 5: Abstract Scoring Rubric			
Category	Sub-Category	Sub-Category Weight	Category Weight
[REDACTED]			

⁷ Technical deficiencies could include, but were not limited to, measure assumptions (costs, savings, effective useful measure life, climate zone), workpaper applicability, and measure type. SoCalGas did not, otherwise, seek corrections and/or improvements to the Bidder’s Proposal. (SoCalGas RFP, at p. 21.)

Table 5: Abstract Scoring Rubric			
Category	Sub-Category	Sub-Category Weight	Category Weight
TOTALS			100%

Table 6 details the five major categories in the Midstream Water Heating Program proposal scoring rubric, along with their component subcategories and weights. The focus of the proposal scoring changed from the abstract to weigh more heavily towards [REDACTED].

Table 6: Proposal Scoring Rubric			
Category	Sub-Category	Sub-Category Weight	Category Weight

Table 6: Proposal Scoring Rubric			
Category	Sub-Category	Sub-Category Weight	Category Weight
TOTALS			100%

Both the abstract and proposal scoring rubrics and associated weighting balanced SoCalGas’ needs and CPUC direction regarding third-party programs.

5.3 Evaluation Team Profile

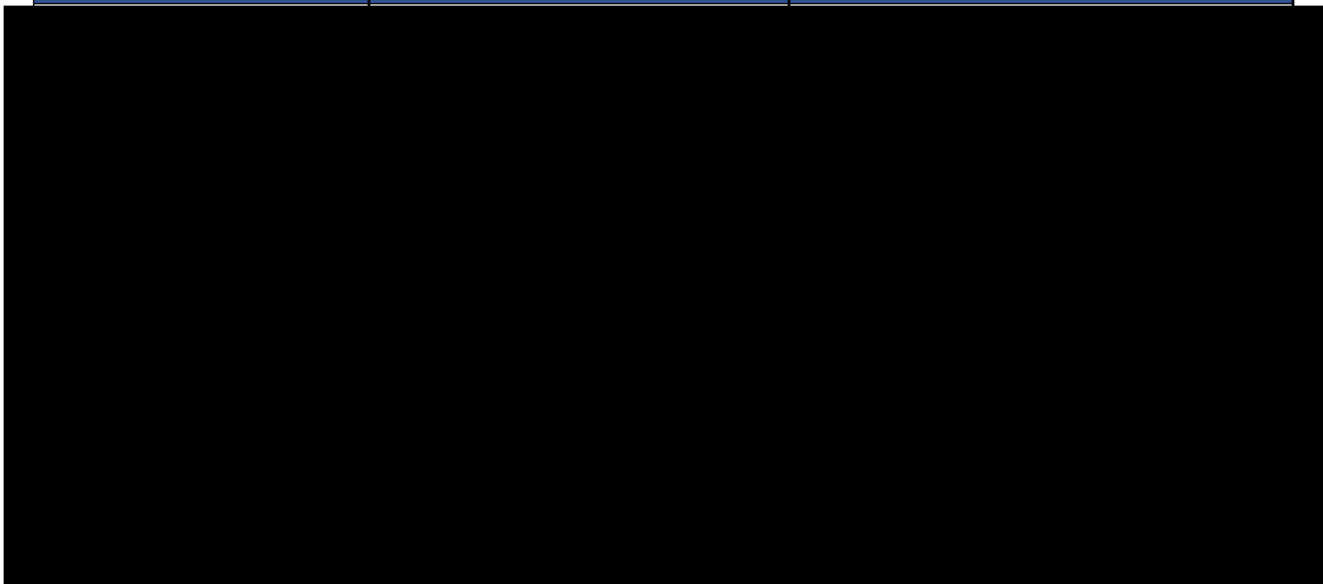
Table 7 lists the abstract evaluators and the areas of the abstract (corresponding to the subcategories presented in Table 5) they each scored. The IE reviewed the experience of all six SoCalGas evaluators and concluded that they were all qualified to score the Midstream Water Heating abstracts.

Table 7: Abstract Evaluation Team		
Position Title	Position Role	Categories Scored

Table 8 lists the proposal evaluators and the areas of the proposal (corresponding to the subcategories presented in Table 6) they each scored. The IE reviewed the experience of all [REDACTED] SoCalGas proposal evaluators and concluded that they were all qualified to score the Midstream Water Heating proposals.

Table 8: Proposal Evaluation Team

Position Title	Position Role	Categories Scored
----------------	---------------	-------------------



5.4 Response to PRG and IE Advice

The IE and PRG made many recommendations for improving SoCalGas’ Midstream Water Heating Program abstract and proposal package documents. Overall, SoCalGas accepted and adopted the great majority, but there were exceptions.

During RFA development phase, the IE received pushback from SoCalGas on many of its recommendations to improve several of the RFA documents. As mentioned above, SoCalGas’ reasoned that the documents had already been reviewed and approved in draft form by other IEs and the PRG.

The IE and PRG made two dozen recommendations for improving the proposal Scoring Criteria. Of those, the only recommendation SoCalGas did not accept was to reorder the questions in the Scorecard and Scorecard Criteria so they followed the order of the proposal. SoCalGas did not change the order because the question order facilitated Calibration Meeting discussions. Having participated in Calibration Meetings, the IE understood the importance of this benefit and withdrew its recommendation.

SoCalGas created detailed abstract scoring criteria that guided its evaluators and reduced the amount of subjectivity in evaluator scoring. These criteria were initially a concern for the IE because the IE thought that the detail would result in homogeneous scores among evaluators. However, in practice this was not the case as evaluators still had enough leeway to score differently. This was proven by the number of questions where the range of scores was at least two, which was many more than expected.

The proposal scoring rubric was developed as part of the RFP template consolidation effort described in Sections 4.2 and 4.3. Most of the recommendations provided by the IEs during the development of the proposal scorecard focused on making the scorecard easier to use and improving consistency.

6. Final Bid Selection Assessment

6.1 Conformance with Established Evaluation Processes

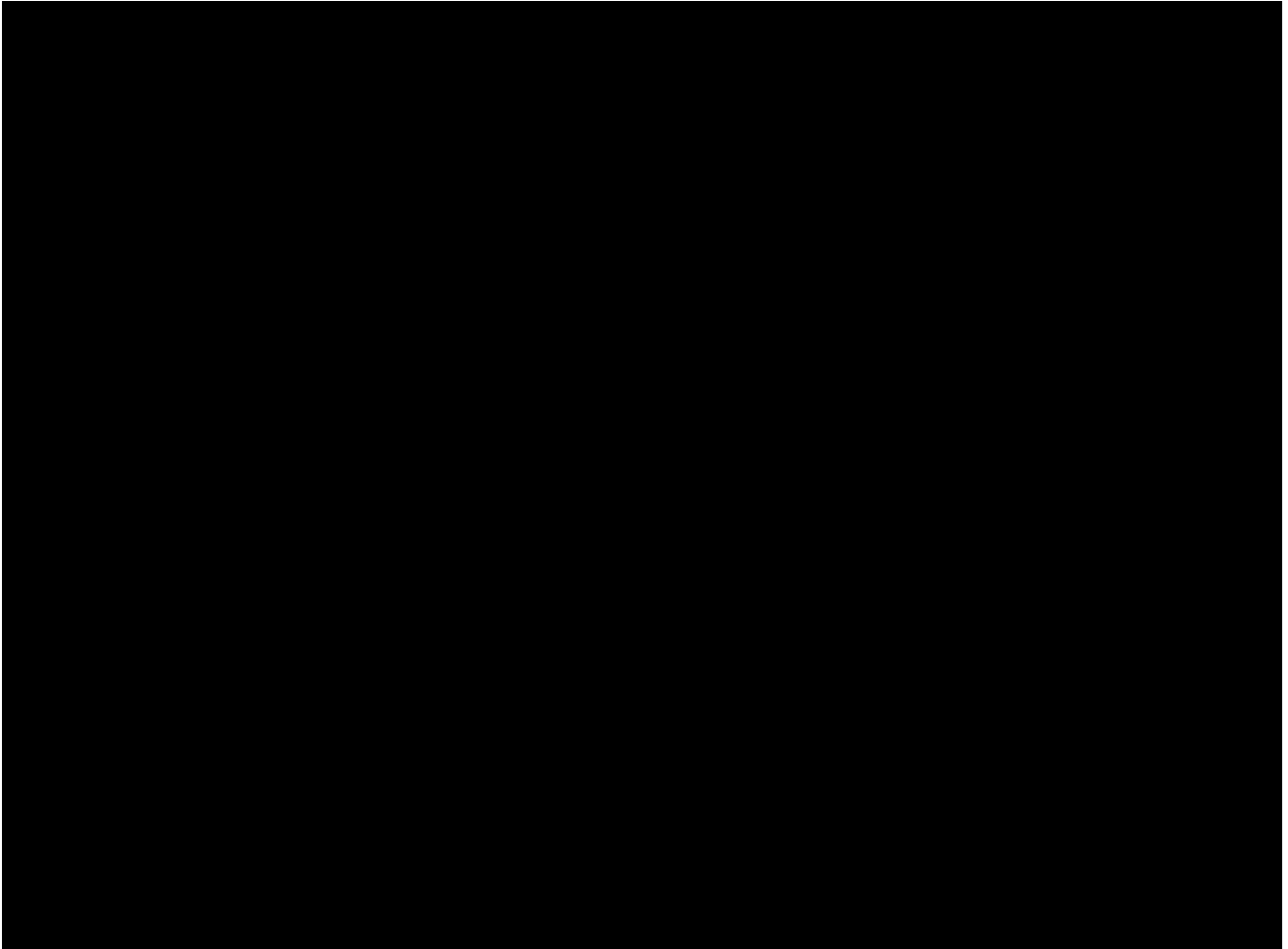
SoCalGas conducted its abstract and proposal screening and evaluations in conformance with its established processes and scoring criteria. Additionally, SoCalGas did not identify any non-conforming bids in either the RFA or RFP stages.

6.2 Management of Deficient Bids

SoCalGas did not identify any deficient bids in either the RFA or RFP stages.

6.3 Shortlist and Final Selections

a. Final Selection Process



b. Portfolio Fit

Due to this being a statewide solicitation, SoCalGas was not able to select the program based solely on how the program would fit within SoCalGas' portfolio and address SoCalGas' portfolio needs.

⁸ RFP Main Doc Statewide Midstream Water Heating specifically provides for this possibility (Sect. 1.B, pg. 5).

SoCalGas, acting as the lead IOU, selected [REDACTED] program because it best met the goals established cooperatively by the four IOUs at the outset of the solicitation.



Table 9 summarizes some of the characteristics of the Statewide Midstream Water Heating Program, as proposed by [REDACTED].

Table 9: "Statewide Midstream Water Heating Program" (as Proposed)	
Customer Segments	<ul style="list-style-type: none"> • Accommodation and food service (NAICS 72) • Healthcare and social assistance (NAICS 62) • Educational services (NAICS 61) • Retail Trade (NAICS 44-45) • Arts, entertainment, and recreation (NAICS 71)
Delivery Type	Midstream
Geographic Area Served	Statewide (Climate Zones 1–16)
Hard-to-Reach Goal	11%
Disadvantaged Communities Goal	12%
Total Program Budget (\$)	[REDACTED]
Total First Year Annualized Energy Savings (Therms)	Gross: 4,723,100 Net: 2,833,860
Total First Year Annualized Energy Savings (kWh)	Gross: 1,945,525 Net: 1,140,668
Savings Calculation Method	Deemed
Assumed Program Launch	April 1, 2021

6.4 Affiliate Bids and Conflict of Interest

SoCalGas asked bidders during both the abstract and proposal stages to declare whether they were a SoCalGas affiliate. SoCalGas received no abstracts or proposals from affiliated bidders.

SoCalGas also screened its abstract and proposal evaluators to ensure that they had no potential conflicts of interest with any of the known bidders. SoCalGas identified no employees associated with the solicitation that possessed conflicts of interest.

6.5 Response to PRG and IE Advice



7. Assessment of Selected Bid

7.1 Bid Selection Responds to Portfolio Needs

SoCalGas' objective for the Midstream Water Heating program was to push higher efficiency water heaters into the non-residential market by leveraging the distributor and contractor communities.

██████████ proposed leveraging the relationships it has with the major commercial water heater manufactures and national stocking distributors to tap into the local distributor networks.

SoCalGas adhered to the selection review recommendations in the PRG Solicitation Guidelines document (Version 1.0, August 2020).

7.2 Bid Selection Provides Best Overall Value to Ratepayers

SoCalGas selected ██████████ Statewide Midstream Water Heating (SMWH) Program for contracting after a long, intensive, and comprehensive solicitation process. To make its final decision, SoCalGas considered all aspects of the bidders' submittals. In addition to program economics and impacts, SoCalGas' evaluators looked at more difficult to assess qualities, such as program innovation, the ability and plan for engaging the necessary market actors, and whether the program addressed the State's policy initiatives and overall risk.

a. Brief Program Description

By offering point-of-sale discounts on energy-saving products, ██████████ SMWH Program makes participation as simple as possible. With program delivery focused on the distributor, ██████████ will train distributors to act as energy efficiency educators, with the advantage of providing one-on-one counsel and advice during the purchase process.

b. Quantitative Program Information

Table 10 summarizes the attributes of the SMWH Program as contracted.

Table 10: Statewide Midstream Water Heating Program Attributes

Metric	Value
NPV of Net Lifecycle Benefits	[REDACTED]
[REDACTED]	
Total Resource Cost test (TRC)	[REDACTED]
Program Administrator Cost test (PAC)	[REDACTED]
Realized Energy Savings (net first-year Therms)	[REDACTED]
Realized Energy Savings (net lifecycle Therms)	[REDACTED]
Realized Energy Savings (net first-year kWh)	[REDACTED]
Realized Energy Savings (net lifecycle kWh)	[REDACTED]
Realized Energy Savings (net first-year kW)	[REDACTED]

SoCalGas currently offers two midstream programs within its own service area, one of which is the Midstream Water Heating (MWH) Program. The current MWH Program includes only storage and tankless water heaters. [REDACTED] SMWH Program will take SoCalGas' current MWH Program statewide and add new measures. Table 11 compares the SoCalGas' current MWH Program to [REDACTED] Statewide Midstream Water Heating Program.

Table 11: Comparison of Current and Proposed Programs		
Metric	Current Program (MWH) ⁹	Contracted Program (SMWH)
Program Implementer	SoCalGas	
Planned program expenditures		
Program duration (years)		
Average annual expenditures		
Gas Savings (Therms) Net Lifecycle		
Net First Year Therms		
Electric Savings (kWh) Net Lifecycle		
Net First Year kWh		
Net First Year kW		
TRC	1.75	1.37
PAC	2.58	1.63

c. Measurement and Verification

██████████ will develop the Measurement and Verification (M&V) Plan for its SMWH Program in conjunction with its development of the Program Implementation Plan.¹⁰ SoCalGas did not request in the RFP phase that bidders provide a preliminary M&V Plan or a description of specific details about M&V approaches bidders might use. However, ██████████ did provide an outline of its savings estimation approach, data collection strategies, eligibility evidence and screening, performance metrics, and quality inspection and services in its proposal.

Most of the forecasted savings are the result of deemed measures, the savings of which will be quantified using the Database for Energy Efficient Resource (DEER) and approved IOU/Statewide workpapers.

d. Compensation

██████████ will be compensated as set forth in Table 12. The Program’s compensation structure is predominantly ██████████. SoCalGas will pay ██████████ per net therm and ██████████ per net kWh installed through the Program. The payment trigger for acceptance of savings will be on ██████████ verified review of applications from participating distributors. SoCalGas will also pay ██████████ a fixed fee invoiced monthly for a not-to-exceed annual sum of ██████████.

⁹ “Midstream Water Heating Program,” administered by SoCalGas. Program data for Q1 2019 through Q2 2020. Source: CEDARS (Prog ID: SCG3814); <https://cedars.sound-data.com/>.

¹⁰ The Program Implementation Plan will be developed after acceptance of SoCalGas’ Advice Letter for this solicitation.

Table 12: Summary Contract Comparisons		
Budget	Contracted	
Administration	[REDACTED]	
Marketing & Outreach	[REDACTED]	
Direct Implementation – Non-Incentive	[REDACTED]	
Direct Implementation – Incentive	[REDACTED]	
Total Program Budget	[REDACTED]	100%
Compensation Structure		
Time & Materials	[REDACTED]	
Fixed Unit Pricing	[REDACTED]	
Fixed Fee Deliverable	[REDACTED]	
Incentives	[REDACTED]	
Total		100%
Compensation Rates		
[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	

e. Supports Portfolio and Applicable Sector Metrics Achievements

The contracted measure mix includes gas storage and tankless water heaters, gas boilers, electric heat pump water heaters (including those installed for fuel substituting of gas water heaters), and hot water pumping measures. Two measures are planned for workpaper development during the program, including grid integrated and solar thermal water heating.¹¹

Just prior to contract execution, the CPUC Public Advocates Office (PAO) expressed concerns with the high proportion of gas measures in the Program. The PAO’s concern stemmed from California’s emissions reduction/climate goals and the potential for water heating decarbonization through fuel substituting of electricity for natural gas. The IE agrees that this should be an overarching long-term goal, however, the goal of this Statewide Midstream Water Heating solicitation as stated in SoCalGas’s approved Business Plan¹² was to “push higher efficiency water heaters into the non-residential market.” DNV GL designed its SMWH Program to accomplish that goal and meet the applicable support sector-specific metrics:

- Achieve greater levels of energy efficiency savings from all commercial segments.
- Increase participation in energy efficiency programs from commercial leased properties.
- Increase amount of ZNE-ready commercial building stock across most customer segments.

¹¹ SoCalGas has agreed to revisit the solar thermal measure for workpaper development at a future time.

¹² As approved in D.18-05-041 and D.18-08-031.

8. Reasonableness of Contracting Process

SoCalGas and [REDACTED] finalized contract negotiations and completed a final review of all draft final contract documents in early October 2020. After subsequent review by the PRG, the final contract was executed with [REDACTED] on December 04, 2020 to meet compliance requirements with an anticipated contract effective date of February 2, 2021 for a duration of three years. Anticipated launch date for the Statewide Midstream Water Heating Program is April 1, 2021.

8.1 Collaboration on Final Program Design and Scope

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

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

- An error discovered in the CPUC's Water Heater Calculator (WHC) v.4.1 by [REDACTED] and SoCalGas program engineers that caused water savings in commercial building types to be overstated by a factor of three. This discovery meant that [REDACTED] had to completely overhaul its measure list less than two weeks prior to the contract's presentation to the PRG, since the program's budget and goals had already been finalized. The resulting change in the measure list initially reduced the Program's TRC from 3.11 to 1.07, considerably below the 1.25 threshold, and required multiple subsequent changes to the measure list, reruns of the program CET, and adjustments to the budget to salvage the Program's cost effectiveness.

Given the variability in savings that emerged at the end of this process, SoCalGas and [REDACTED] with the approval of the IE, added language in the contract that would handle future changes in the WHC in a way that would protect ratepayers, the administrator (and other IOUs), and the implementer.

[REDACTED]

These activities were high-resource efforts that resulted from strong teamwork and support from all parties in the negotiation and others at SoCalGas' policy and engineering teams.

8.2 Fairness of Negotiations

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

The error in the WHC was found to overstate water savings by a factor of three. As a result, many aspects of [REDACTED] Program needed to be recalculated and corrected less than two weeks before the negotiations deadline. This forced [REDACTED] and SoCalGas staff to put in many extra hours of collaboration to modify the Program and contract.

8.3 Changes to Contract Terms & Conditions

██████████ provided redlines to the CPUC’s modifiable terms and conditions that modified language in the “Implementer’s Pre-Existing Materials” section (H2c).

8.4 Conformance with CPUC Policies and Objectives

The Statewide Midstream Water Heating Program will pay distributors for providing customers with point-of-sale discounts for the purchase of energy-efficient gas and electric water heating equipment. ██████████ method for designing the incentive amounts aligns with the CPUC’s “Design of Incentives to Customer or Implementors” in D.18-05-041.

██████████ is not including NMEC savings in the Statewide Midstream Water Heating Program.

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

Table 13 summarizes the alignment of the Statewide Midstream Water Heating Program with CPUC Policies and Objectives.

Table 13: Statewide Midstream Water Heating Program – Alignment with CPUC Policies and Objectives			
Element / Requirement	Yes	No	IE Comments
The contract includes all CPUC standard and modifiable contract terms	✓		Included in full. Only redlines provided modified language in the “Implementer’s Pre-Existing Materials” section (H2c).
No modifiable contract terms and conditions (or Term Sheet) proposed by SoCalGas conflicted or otherwise undermined the meaning or intent of the CPUC terms and conditions for TPI energy efficiency programs.	✓		No modification by SoCalGas.
As required, SoCalGas included standard contract language requiring ██████████ to coordinate with other program administrators in the same geographic area.	✓		Included Section G from Required Modifiable Terms and Conditions.

**Table 13: Statewide Midstream Water Heating Program
– Alignment with CPUC Policies and Objectives**

Element / Requirement	Yes	No	IE Comments
As required, SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/P Guidelines, in the development of the contract.	✓		SoCalGas incorporated all applicable CPUC decisions and direction, and considered PRG RFA/P Guidelines, in the development of the contract.
Does the contract include an assignability clause (stating that winning bidders will contract with the IOU or its successors and assignees) to ensure that programs can continue to operate smoothly in the event of a restructuring or bankruptcy?	✓		Included in Section 26 of Schedule A.
Does the contract comply with state law and the Contractors State License Board requirements that [REDACTED] and its subcontractors hold valid contractor’s licenses applicable to their program for contract execution and advice letter approval?	✓		Included in Section 12.3 of Schedule A.
Does the contract address: Key Performance Indicators, other performance matrix (e.g., innovation, etc.), payment terms, program-level M&V requirements (including the use of NMEC), and include a disadvantaged worker plan?	✓		Included in Section B.2 of Schedule A1, Part B; Section 4.1.14 of Schedule B; Section 2.3 of Attachment 1; and Section 1.1 of Attachment 8.
During contract negotiations, did SoCalGas stay true to its established process?	✓		Overall, SoCalGas stayed true to its established process.
Was the final contract based on the proposed program?	✓		The final contract was based on the proposed program. Details had to be modified towards the end of negotiations due to the error in the WHC.
Does the final compensation structure match the proposed structure?	✓		The error in the WHC required [REDACTED] to reduce the program implementation budget and make minor modifications to the compensation structure. See Table 14 for a comparison of the proposed and contracted compensation structure.
Do the final budget and savings goals match those of the proposed program?		✓	The error in the WHC required that the total budget be increased by about \$11 million (due to increasing the incentive budget by that amount), which lowered the TRC. This resulted in [REDACTED] eliminating and combining expected project roles, modifying its internal expectations on staff grades and salaries, and removing the incremental cost of

Table 13: Statewide Midstream Water Heating Program – Alignment with CPUC Policies and Objectives			
Element / Requirement	Yes	No	IE Comments
			using one of its planned subcontractors from the program team. Both net therm and net kWh savings are about one-third the proposed savings values. This required several iterations of measure incentive quantities and incentive budgets to align DNV GL's and SoCalGas' engineering acceptance of revised savings numbers.
Does the final cost effectiveness match that of the proposed program?		✓	Final TRC (1.37) is significantly lower than proposed (2.68), due to the increased budget.
Were negotiations transparent? (For example, SoCalGas set clear expectations with bidder, all negotiations were monitored by the IE, and no conflict of interest issues were raised.)	✓		Expectations were discussed at the Negotiations Kick-Off Meeting and all subsequent communications were proper and conducted with the IE monitoring.

Table 14: Compensation Structure Comparison		
Compensation Structure	As Proposed	As Contracted
Time & Materials		
Deliverable Pricing - Fixed Unit Pricing		
Deliverable Pricing - Fixed Fee Deliverable		
Deliverable Pricing - Custom Project Pricing		
Pay-For-Performance (Meter-Based energy savings)		

9. Conclusion

SoCalGas conducted the Statewide Midstream Water Heating solicitation fairly, transparently, and without bias. As noted in this report, the overall process for the solicitation from RFA documents to contract negotiations was transparent and effectively run. SoCalGas effectively ran the internal processes for internal bid scoring as well as PRG and IE review of all steps in the process.

There were some issues raised by the IE and PRG raised during the solicitation process, which were largely resolved. SoCalGas also used lessons learned to improve future solicitations.

Overall, the Statewide Midstream Water Heating solicitation resulted in a program that will enable California's four IOUs, their commercial customers, and the State to benefit from the more efficient water heating energy use. ██████████ Statewide Midstream Water Heating Program will help the four IOUs cost effectively achieve their energy savings goals while also fulfilling the metrics documented in each IOU's Annual Budget Advice Letter filing.