

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



October 23, 2020

Erik Jacobson  
Director, Regulatory Relations  
c/o Megan Lawson  
Energy Efficiency Procurement Manager  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B13U  
San Francisco, CA 94177

Dear Mr. Jacobson,

This disposition letter serves as a notice of partial approval of Pacific Gas and Electric Company's (PG&E) 2020 third-party advice letters for its local multi-sector solicitation (4278-G/5888-E, 4281-G/5891-E, 4282-G/5892-E, 4285-G/5895-E, 4284-G/5894-E, 4283-G/5893-E, 4280-G/5890-E, and 4279-G/5889-E), effective October 23, 2020. The proposition in Section 18.8: Order of Precedence, item (a) of these eight contracts, where precedence is given to Section 9: Dispute Resolution over Section 10: CPUC Non-Modifiable Dispute Resolution Process Provisions, is rejected due to a transcription error.

**Background**

Decision D.18-01-004, the Third-Party Solicitation Process Decision, requires the four California Investor-Owned Utilities (IOUs) to file a Tier 2 advice letter for each third-party contract, or batch of third-party contracts, that is valued at \$5 million or more and/or with a term of longer than three years, for commission review.<sup>1</sup> On July 18, 2020, PG&E filed advice letters 4278-G/5888-E, 4281-G/5891-E, 4282-G/5892-E, 4285-G/5895-E, 4284-G/5894-E, 4283-G/5893-E, 4280-G/5890-E, and 4279-G/5889-E as part of its local multi-sector solicitation.

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

**Rejected Contract Provision**

These advice letters are approved with the exception of the proposition within Section 18.8(a) that gives precedence to Section 9: Dispute Resolution over Section 10: CPUC Non-Modifiable Dispute Resolution Process. Precedence must be given to the CPUC Standard Terms and Conditions defined in decision D.18-10-008, the decision that addresses third-party contract terms and conditions. PG&E must revise the eight third-party contracts and re-submit them in a Tier II advice letter for final

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<sup>1</sup> D.18-01-004, pg. 57

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approval by December 4, 2020. The fact that the Commission has not rejected the advice letters in their entirety reflects the specific circumstances here; namely, that the issues in this contract are limited to a single typo.

**Implementation Plan Development**

Decision D.18-05-041, the Business Plan Decision, Ordering Paragraph 2 requires implementation plans to be posted within 60 days of contract execution, or within 60 days of Commission approval if the contract meets the advice letter threshold. In the interest of continuing to move these third-party programs forward, EE Staff will set the date of contract approval to be the date of this disposition, October 23, 2020, rather than continue to delay the process due to a typographical error. Therefore, with the issuance of this disposition, implementation plans for these programs are due to be posted no later than December 22, 2020.

Please direct any questions regarding Energy Division's findings in this non-standard disposition to Scott Kjorlien ([scott.kjorlien@cpuc.ca.gov](mailto:scott.kjorlien@cpuc.ca.gov)).

Sincerely,

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

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

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

July 30, 2020

**Advice 4280-G/5890-E**

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: Advice Letter Submittal of Pacific Gas and Electric Company's Third-Party Solicitations resulting from its Local Multi-Sector Request for Proposal ("RFP") Industrial Systems Optimization Program (ISOP) executed between Cascade Energy Inc and PG&E**

**Purpose**

In compliance with Decision (D.) 18-01-004, Pacific Gas and Electric Company ("PG&E") hereby requests the California Public Utilities Commission ("Commission" or "CPUC") and requests approval of the Energy Efficiency ("EE") Program Implementation Agreement ("PIA" or "Contract") executed between PG&E and Cascade Energy Inc. This Contract results from PG&E's Local Multi-Sector Request for Proposal ("RFP") solicitation for local resource EE customer programs and will contribute towards meeting PG&E's 25 percent third-party outsourcing compliance requirement.

**Background**

In Decision (D.) 15-10-028, the Commission established and adopted the Rolling Portfolio process for regular review and revision of the EE program administrators' (PAs') portfolios. In August 2016, the Commission adopted D.16-08-019, which defined the terms and the requirements for the utility PAs to administer statewide and third-party programs.

Under the framework of the rolling portfolio, the Commission adopted D. 18-01-004 for procurement of EE programs through a solicitation process. That Decision directed the investor-owned utilities ("IOUs"), including PG&E, to meet specific third-party outsourcing targets by certain dates in order to transition to a majority third-party-implemented portfolio by 2023. Specifically, D. 18-01-004 and D. 18-05-041 ordered the IOUs to have at least 25 percent of their 2020 program budgets under contract for programs designed and implemented by third-party providers by December 19, 2019<sup>1</sup>, at least 40 percent by

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<sup>1</sup> D. 18-05-041 OP (4). PG&E was granted an extension to June 30, 2020.

December 31, 2020, and at least 60 percent by December 31, 2022. Additional details are provided in the Public Section of this Advice Letter.

### **Compliance Requirements**

Per D.18-01-004, the IOUs are required to file a Tier 2 advice letter for each EE third-party contract that is valued at \$5 million or more and/or with a term longer than three years.

The Commission developed a template which outlines the required information and documentation for each third-party advice letter submission. The table below provides a list of the required content and indicates where PG&E is providing the content within this submission.

**Table 1: Required Content for Advice Letter Submission**

	<b>Contents, Attachments, and Appendices</b>	<b>Part 1 Public</b>	<b>Part 2 Confidential</b>
1	Introduction: Purpose and Subject (Summary of Contracts)	Part 1.1.A-1.1.B	Appendix D
2	Introduction: Solicitation Process Overview	Part 1.1.C	Appendix B
3	Transition Plan	Part 1.2	
4	Confidentiality	Part 1.3	
5	Final IE Report	Attachment A	Appendix A
6	Program-Level Measurement & Evaluation (M&V) Plan for NMEC programs seeking exceptions to the NMEC Rules	Attachment B	
7	Selection spreadsheet (in Excel)		Appendix C
8	Executed third-party contract		Appendix E

The public version of this advice letter is provided to the service lists for Rulemaking ("R.") 13-11-005. The confidential version of the advice letter is provided only to the Commission.

### **Protests**

**\*\*\*Due to the COVID-19 pandemic and the shelter at home orders, PG&E 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 to EDTariffUnit@cpuc.ca.gov and PGETariffs@pge.com\*\*\***

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Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than August 19, 2020, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson  
Director, Regulatory Relations  
c/o Megan Lawson  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B13U  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-3582  
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

### **Effective Date**

Pursuant to General Order (GO) 96-B, Rule 5.2, and OP 2 of D.18-01-004, this advice letter is submitted with a Tier 2 designation. PG&E requests that this Tier 2 advice submittal become effective on regular notice, August 29, 2020 which is 30 calendar days after the date of submittal.

**Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

/S/

Erik Jacobson  
Director, Regulatory Relations

Attachments

cc: R-13-11-005 Service List



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



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

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39M)

Utility type:

☒ ELC ☒ GAS ☐ WATER  
☐ PLC ☐ HEAT

Contact Person: Kimberly Loo

Phone #: (415)973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: KELM@pge.com

### EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 4280-G/5890-E

Tier Designation: 2

Subject of AL: Advice Letter Submittal of Pacific Gas and Electric Company's Third-Party Solicitations resulting from its Local Multi-Sector Request for Proposal ("RFP") Industrial Systems Optimization Program (ISOP) executed between Cascade Energy Inc and PG&E

Keywords (choose from CPUC listing): Compliance

AL Type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.18-01-004

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

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

Confidential treatment requested? ☒ Yes ☐ No

If yes, specification of confidential information: See Confidentiality Declaration and Matrix  
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: Matthew Braunwarth, (415)973-4058, MPBb@pge.com

Resolution required? ☐ Yes ☒ No

Requested effective date: 8/29/20

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

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: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

<sup>1</sup>Discuss 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](mailto:EDTariffUnit@cpuc.ca.gov)

Name: Erik Jacobson, c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility Name: Pacific Gas and Electric Company  
Address: 77 Beale Street, Mail Code B13U  
City: San Francisco, CA 94177  
State: California Zip: 94177  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx: (415)973-3582  
Email: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

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

Clear Form

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

**PACIFIC GAS AND ELECTRIC COMPANY (U 39 M)**

**DECLARATION OF MATTHEW BRAUNWARTH  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION  
CONTAINED IN ADVICE LETTER 4280-G/5890-E**

I, Matthew Braunwarth, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E") and have been an employee at PG&E since November 2010. I am the manager of Energy Efficiency Procurement department in PG&E's Energy Efficiency organization. In this position, my responsibilities include managing the solicitation and finalization of the Program Implementation Agreement ("PIA") submitted for approval in this Advice Letter. In carrying out these responsibilities, I have acquired confidential information related to offers received in this solicitation. Through this experience, I have become familiar with the type of information that could affect the negotiating position of energy efficiency sellers with respect to price and other terms, as well as with the type of information that such sellers consider confidential and proprietary.
2. Based on my knowledge and experience, and in accordance with ("D") 06-06-066, 08-04-023, and relevant Commission rules, I make this declaration seeking confidential treatment for certain data and information contained in the attachments to Advice Letter 4280-G/5890-E.
3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes confidential market sensitive data and information covered by the Public

Utilities Codes section 454.5(g), D. 06-06-066, D.08-04-023 and/or relevant Commission rules.

The matrix also specifies why confidential protection is justified. Further, the data and information: (1) is not already public; and (2) cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

Executed on July 30, 2020, at San Francisco, California.

/s/  
Matthew Braunwarth

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)  
ADVICE LETTER 4280-G/5890-E  
July 30, 2020**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

Redaction Reference	Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order that Data Corresponds To	Justification for Confidential Treatment	Length of Time Date To Be Kept Confidential
<b>Document: Advice Letter 4280-G/5890-E</b>			
<b>Confidential Appendix A: Independent Evaluator Report of:</b>	<p>Item VIII) A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.</p> <p>Item VII) B) Contracts and power purchase agreements between utilities and non-affiliated third parties (non-RPS)</p> <p>Public Utilities Code section 454.5(g)</p>	<p>The purpose of the Independent Evaluator ("IE") Report is to determine on the basis of bid information whether PG&amp;E's conduct of the EE local multi-sector program fulfilled Commission requirements. The IE Report relies extensively on confidential information for its analysis and findings, so to provide as much information about the local multi-sector as possible without divulging market sensitive information.</p> <p>This appendix discusses, analyzes, and/or evaluates the confidential terms of the non-RPS contracts and confidential negotiations between PG&amp;E and the counterparty. Disclosure of this information will provide valuable market sensitive information to market participants. Release of this information could be damaging to future PG&amp;E contract negotiations and ultimately detrimental to PG&amp;E's customers.</p> <p>PG&amp;E has redacted confidential bid information and quantitative analysis involved in scoring and evaluating the bids from the IE Report. A public version of the IE report has been filed with the Advice Letter. PG&amp;E has complied with the requirement to facilitate the public availability of its energy efficiency procurement information by masking its confidential data. Accordingly, the confidential version of the IE report should be protected from public disclosure.</p>	3 years from July 28, 2020
<b>Confidential Appendix B: Solicitation Evaluation Criteria Scorecard and Program Savings Summary</b>	VIII) A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids	Appendix B provides the RFA and RFP evaluation criteria with associated scorecard weightings for each criteria and sub-criteria for PG&E's 2018-2019 PG&E energy efficiency multi-sector RFA and RFP. Appendix B also includes summaries of program savings	Three years after CPUC approval

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)  
ADVICE LETTER 4280-G/5890-E  
July 30, 2020**

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– in its entirety		<p>and cost-effectiveness.</p> <p>Disclosure of this information will provide valuable market sensitive information to market participants prior to the conclusion of ongoing negotiations. Release of this information could also provide sensitive solicitation strategy information and be damaging to future PG&amp;E solicitations and ultimately detrimental to PG&amp;E's customers.</p>	
<p><b>Appendix C:</b></p> <p><b>Multi-sector Solicitation selection spreadsheet – in its entirety</b></p>	<p>VIII) A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids</p> <p>Public Utilities Code section 454.5(g)</p>	<p>Appendix C provides a spreadsheet of all of the offers received in response to PG&amp;E's 2018-2019 PG&amp;E energy efficiency multi-sector RFA and RFP. Appendix C also identifies those offers that were selected for the shortlist, contract negotiations, and contract award.</p> <p>Disclosure of this information will provide valuable market sensitive information to market participants. Release of this information could be damaging to future PG&amp;E solicitations and ultimately detrimental to PG&amp;E's customers.</p>	<p>Three years after CPUC approval</p>
<p><b>Appendix D:</b></p> <p><b>Contract and Contract Terms Summary – in its entirety</b></p>	<p>Item VII) B) Contracts and power purchase agreements between utilities and non-affiliated third parties (non-RPS)</p>	<p>These appendices contain the confidential contract summary and conditions of non-RPS contracts.</p> <p>Table 1: Table 1 includes the Confidential Summary Portion of the Bidders Proposed Compensation Type (Time and Materials, specific deliverables, quantity of installed measures, incremental savings payment, customer incentives and performance payments).</p> <p>Table 2: Table 2 includes the major contract provisions made to the standard form contract. The information contains confidential contract-related information exchanged between PG&amp;E and the</p>	<p>Three years after CPUC approval</p>



**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)  
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		<p>counterparty. Release of this market sensitive information could put PG&amp;E at a competitive disadvantage with regard to other market participants and could detrimentally impact PG&amp;E customers and/or may disclose confidential information provided in confidence by a third party to PG&amp;E.</p> <p>Table 3: Table 3 includes the major contract provisions made to the modifiable form contract. The information contains confidential contract-related information exchanged between PG&amp;E and the counterparty. Release of this market sensitive information could put PG&amp;E at a competitive disadvantage with regard to other market participants and could detrimentally impact PG&amp;E customers and/or may disclose confidential information provided in confidence by a third party to PG&amp;E.</p> <p>Table B1: Table B1 contains program level cost effectiveness measures on an individual level. Releasing this market sensitive information could put PG&amp;E at a competitive disadvantage with regard to other market participants and could detrimental impact PG&amp;E customers.</p> <p>PG&amp;E has redacted market sensitive information. A public version of the Table B1 has been filed with the Advice Letter. PG&amp;E has complied with the requirement to facilitate the public availability of its energy efficiency procurement information by masking its confidential data. Accordingly, the confidential version of Table B1 should be protected from public disclosure.</p>	

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)  
ADVICE LETTER 4280-G/5890-E  
July 30, 2020**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

<b>Redaction Reference</b>	<b>Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order that Data Corresponds To</b>	<b>Justification for Confidential Treatment</b>	<b>Length of Time Date To Be Kept Confidential</b>
<b>Appendix E: Executed Contracts</b>	Item VII) B) Contracts and power purchase agreements between utilities and non-affiliated third parties (non-RPS)	These appendices contain the confidential terms and conditions of Third-Party Energy Efficiency Program Implementation Agreements. The information contains confidential contract-related information exchanged between PG&E and the counterparty. Release of this market sensitive information could put PG&E at a competitive disadvantage with regard to other market participants and could detrimentally impact PG&E customers and/or may disclose confidential information provided in confidence by a third party to PG&E.	Three years after CPUC approval

# **PACIFIC GAS AND ELECTRIC COMPANY**

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## **Approval of Cascade Energy Inc - ISOP Contract Resulting from Multi-Sector Competitive Solicitation for Local Third-Party Energy Efficiency Customer Programs**

### **PART 1 PUBLIC VERSION**

July 30, 2020



Together, Building  
a Better California

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ATTACHMENT A: Final IE Report (Public)

ATTACHMENT B: Program-Level Measurement & Verification Plan

# ADVICE LETTER PART 1: PUBLIC SECTION

## 1. INTRODUCTION

### A. Purpose

Pursuant to the California Public Utilities Commission (CPUC or the Commission) Decision (D.)18-05-041 – Decision Addressing Energy Efficiency Business Plans, and in accordance with the requirements and timeline described in D.18-01-004 – Decision Addressing Third Party Solicitation Process for Energy Efficiency (EE) Programs, Pacific Gas and Electric Company (PG&E) hereby submits this advice letter to seek Commission approval of the EE program implementation agreement (PIA or contract) between Cascade Energy, Inc. and PG&E resulting from PG&E’s local multi-sector solicitation for local resource EE customer programs.

The Industrial Systems Optimization Program (ISOP) proposes to serve various Manufacturing subsectors including food processing within PG&E’s Industrial sector and is expected to contribute to PG&E’s portfolio savings goals over the life of the contract term. Furthermore, with a current total program budget of \$15.32 million across 4.5 years, ISOP program budget will fall within PG&E’s 2018-2025 Business Plan annual budget levels approved by the Commission in D. 18-05-041.<sup>1</sup> The contract between PG&E and Cascade Energy, Inc. was fully executed on June 22, 2020 and contributes 1.59 percent towards meeting PG&E’s 25 percent third-party compliance outsourcing target.

### I. Background

On August 18, 2016, the CPUC issued D.16-08-019 – Decision Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings, which, for EE program purposes, defined the term “third-party program”<sup>2</sup> and further defined the term “statewide”.<sup>3</sup>

Pursuant to the Commission’s April 14, 2017 Scoping Memo and Ruling,<sup>4</sup> PG&E filed its Solicitation Plan on August 4, 2017 which detailed the strategy and approach PG&E

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<sup>1</sup> PG&E’s 2018-2025 Business Plan annual budgets were approved via D.18-05-041, p.2. The business plan budgets set expectations for the total annual EE portfolio spending and cost recovery budgets that are requested via an Annual Budget Advice Letter (ABAL) filed in September of each year (see D.15-10-028 pp.43, 62, and OP 4, p.123). The ABAL requests CPUC authorization of PG&E’s total EE portfolio budget for spending and cost recovery in the upcoming program year, and the ABAL EE portfolio budget is comprised of individual program budgets forecasted for the upcoming program year. The EE portfolio budget spending request is generally capped at the approved business plan budget for that program year, however an ABAL budget can exceed the business plan budget in a given year as long as PG&E’s cumulative budget for 2018-2025 remains within the total approved cumulative budget for 2018-2025 (D.18-05-041 OP 45, p.192). PG&E will include the annual forecasted AESAP program budget in its upcoming ABAL portfolio budgets and expects these total ABAL portfolio budgets to fall within the current approved business plan annual portfolio budget caps.

<sup>2</sup> D.16-08-019, p. 111, Ordering Paragraph (OP) 10.

<sup>3</sup> D.16-08-019, p. 109, OP 5.

<sup>4</sup> Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judges (April 14, 2017) p. 8 [https://4930400d-24b5-474c-9a16-0109dd2d06d3.filesusr.com/ugd/0c9650\\_025db2dc8d354bb98df3cee59103a236.pdf](https://4930400d-24b5-474c-9a16-0109dd2d06d3.filesusr.com/ugd/0c9650_025db2dc8d354bb98df3cee59103a236.pdf)

intended to implement for competitive solicitations and for building the new EE program portfolio.<sup>5</sup> On January 11, 2018, the Commission issued D.18-01-004 – Decision Addressing 3P<sup>6</sup> Solicitation Process EE Programs, which formalized the third-party solicitation process for EE programs and established key milestones on the path to maintaining a predominantly third-party implemented EE portfolio by 2023.

In D.18-05-041, the Commission approved PG&E’s EE Business Plan for 2018-2025. D.18-05-041 also extended the 25 percent third-party portfolio outsourcing deadline to December 19, 2019.

On August 15, 2019, the Commission issued D.19-08-034 – Decision Adopting Energy Efficiency Goals for 2020 – 2030. D.19-08-034 identified potential achievable cost-effective electricity and natural gas efficiency savings, “established efficiency targets” for investor-owned utilities to achieve, and significantly reduced the savings and budget targets from the levels identified in previous years.

In accordance with D.18-01-004,<sup>7</sup> prior to launching any solicitations, PG&E first assembled a Procurement Review Group (PRG) composed of non-financially interested stakeholders to advise PG&E and provide oversight to all stages of the solicitation process. PG&E met with the PRG monthly to review solicitation progress. In accordance with D.18-01-004<sup>8</sup> and in consultation with the PRG, PG&E also solicited for and established a pool of five Independent Evaluators (IEs) with specific EE subject matter expertise to monitor the solicitation process for fairness and transparency, support PRG oversight efforts, and provide additional feedback to the IOUs. The Energy Division (ED) of the CPUC approved PG&E’s IE pool via letter to PG&E on August 31, 2018.<sup>9</sup>

In the third quarter of 2018, PG&E began preparations for the third-party program solicitations. As described in PG&E’s Solicitation Plan, PG&E originally envisioned staging a cascade of more than 20 RFA and RFP solicitations focused on specific sub-sectors.<sup>10</sup> After considering stakeholder feedback, PG&E consolidated this cascading series of solicitations and instead issued a comprehensive solicitation that included all customer sectors in a large and coordinated process. While this approach added complexity to solicitation administration, the all-sector solicitation provided bidders with the maximum flexibility to exercise innovative program design. Another key benefit to the all-sector approach is that it enabled PG&E to build a refreshed and streamlined portfolio rather than merely recreating

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<sup>5</sup> Pacific Gas and Electric Company Third Party Solicitation Proposal (August 4, 2017) p. 6 [https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE\\_Third\\_Party\\_Solicitation\\_Process\\_Proposal.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE_Third_Party_Solicitation_Process_Proposal.pdf)

<sup>6</sup> Third-Party.

<sup>7</sup> D. 18-01-004, pgs. 61-62, OP 3-4.

<sup>8</sup> D. 18-01-004, pgs. 62-63, OP 5.

<sup>9</sup> Edward Randolph Letter to Erik B. Jacobson regarding “Approval of Energy Efficiency Independent Evaluators.” August 31, 2018.

<sup>10</sup> Pacific Gas and Electric Company Third Party Solicitation Proposal (August 4, 2017) p. 11. “Figure 3: PG&E’s 2017-2020 Solicitation Timeline”. [https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE\\_Third\\_Party\\_Solicitation\\_Process\\_Proposal.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE_Third_Party_Solicitation_Process_Proposal.pdf)

the current portfolio structure with third-party programs.

PG&E launched the Local Multi-Sector Request for Abstracts (RFA) in November 2018 with responses submitted and scored in early 2019. The Local Multi-Sector Request for Proposals (RFP) preparations began in Q1 2019, with responses submitted and scored in mid-2019. Throughout the solicitation process, PG&E worked closely with its PRG and its IEs to ensure fairness, transparency, and compliance with all Commission directives and program rules while driving towards the original December 19, 2019 deadline for twenty-five percent outsourcing requirement.

In November 2019, PG&E submitted a request for an extension of the twenty-five percent outsourcing requirement deadline to allow sufficient time for contract negotiations to complete.<sup>11</sup> On November 25, 2019, the CPUC's Executive Director granted the request and extended PG&E's twenty-five percent outsourcing requirement deadline to June 30, 2020.<sup>12</sup> The November 25, 2019 letter further reiterated that the IOUs must meet the forty percent outsourcing requirement by December 31, 2020.

## **II. The Solicitation is in Conformance with PG&E's Business Plan Strategies**

PG&E's revised portfolio structure, as described in PG&E's Business Plan,<sup>13</sup> was informed by state policies including California State Senate Bill (SB) 350 and Assembly Bill (AB) 32. In support of these statewide policies, PG&E's EE Business Plan was built on three guiding principles:

- Scale EE cost-effectively by deploying innovative new program models that spur investment in deep and persistent energy savings, effectively target customers with high energy savings potential, focus on selective technology strategies, and lower the barriers of EE investments for customers.
- Streamline program offerings within the portfolio to improve the customer and market actor experience and make EE offerings easier for customers to access.
- Develop EE as a cost-effective grid resource that is integrated within PG&E with other distributed energy resources, enabling deeper savings, achieving greater market penetration, and producing more location-specific benefits for customers and the grid.

PG&E's Business Plan included a vision, goals, and associated intervention strategies

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<sup>11</sup> Eric B. Jacobson – PG&E Letter to Alice Stebbins, Executive Director – CPUC regarding “Pacific Gas and Electric Company Request for Extension of Time to Comply with Ordering Paragraph 4 of Decision No. 18-05-041.” November 5, 2019.

<sup>12</sup> Alice Stebbins, Executive Director – CPUC Letter to Eric B. Jacobson – PG&E. “Request for Extension of Time to Comply with Ordering Paragraph 4 of Decision 18-05-041”. November 25, 2019.

<sup>13</sup> PG&E's Energy Efficiency Business Plan 2018-2025, p.1. Portfolio Overview.

[https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE-Energy-Efficiency-Business-Plan-2018-2025.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE-Energy-Efficiency-Business-Plan-2018-2025.pdf)

specific to each sector for bidders to consider when designing new programs.<sup>14</sup> In its solicitation, PG&E sought programs that presented a high degree of innovation and creativity around program delivery and identified cost-effective approaches with the potential to capture deep, long-term energy savings for customers. PG&E worked collaboratively with the final contract awardees to ensure the proposed program would meet PG&E's portfolio needs, support key portfolio goals and metrics, and provide superior value to ratepayers while prudently managing/sharing program risk.

As presented in the Business Plan,<sup>15</sup> PG&E's goals for the Industrial sector included saving energy and reducing customer demand of electricity, broadening customer program participation, and increasing the operational efficiencies of the sector overall. Based on prior program experience in the Industrial sector, PG&E identified the following six strategic interventions to achieve its Industrial sector goals:

- **Data Access and Awareness** to promote customer understanding of energy consumption and identify EE opportunities.
- **Data Analytics** to identify stranded potential
- **Technical Assistance and Tools** to facilitate customer awareness and action
- **Loans, Rebates, and Incentives** to enable project completions
- **New Program Models** to promote operational, organizational, and behavioral changes, such as SEM
- **Strategic Partnerships** to maximize outreach efforts, share technical expertise, and use cross-agency resources.

Cascade Energy, Inc. incorporated these intervention strategies into the ISOP design to align with PG&E's future portfolio vision and supports the Industrial sector goals of saving energy, increasing customer participation, and improving the cost-effectiveness of the sector in the following ways:

**Program Goals:** PG&E anticipates that in 2021, ISOP will begin to contribute to PG&E's Industrial sector savings goals while providing a substantial improvement to the overall cost effectiveness of the sector.

**Program Description:** Cascade's ISOP is an opt-in, single-point-of contact program delivery model for industrial, manufacturing and food processing customers designed to significantly improve customer awareness, opportunity discovery, participation, influence on decision making (and net-to-gross ratios), energy savings, cost effectiveness, and customer satisfaction, all in alignment with PG&E's business plan and metrics, and in the context of

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<sup>14</sup> PG&E's Energy Efficiency Business Plan 2018-2020, page 6, Portfolio Overview.

[https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE-Energy-Efficiency-Business-Plan-2018-2025.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE-Energy-Efficiency-Business-Plan-2018-2025.pdf)

<sup>15</sup> PG&E Energy Efficiency 2018-2025 Business Plan, Industrial Sector Chapter, Section F PG&E's Approach to Achieving Goals. [https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE-Energy-Efficiency-Business-Plan-2018-2025.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE-Energy-Efficiency-Business-Plan-2018-2025.pdf)



California's regulatory environment.

The program focuses on training, retro-commissioning, and capital projects with systems-level optimization. ISOP serves all eligible customers via two tiers: an enhanced track that includes energy management coaching, energy management and collaboration software, and ongoing energy coach support to drive projects; and a standard track for customers with less ability or time to commit to the enhanced track that includes regular energy coach touchpoints and technical support to identify and implement projects.

ISOP includes all savings measurement platforms. For customers who do opt in, ISOP will become the sole program serving them. Highlights of ISOP include:

- **Training Initiated Engagement (TIE)** – ISOP will engage key manufacturing and food processing personnel with high-quality energy efficiency training on systems and opportunities relevant to their plants, delivered by Cascade's industrial experts.
- **Energy Coach** – ISOP will assign a Cascade employee to each customer to serve as a long-term energy coach to simplify participation and establish a trusting relationship that supports new project identification, development, and implementation.
- **Multiple Tracks** – ISOP will offer opt in customers a traditional standard track and an enhanced track offering services designed around long-term energy management principles.
- **Savings from Complex Systems and Processes** – ISOP supports all relevant measure types but focuses on complex, interactive mechanical systems that yield interactive capital and behavioral, retro-commissioning, and operational (BRO) measures.

**Innovative Program Features:** To improve program effectiveness and increase customer participation, Cascade has proposed the following innovative features into ISOP to improve program effectiveness and increase customer participation.

- **Long-Term Single Point of Contact to Drive Engagement and Pipeline** – Current programs engage customers in a piecemeal way, project by project, or even measure by measure. This does not provide customers with the program support they need to pursue deeper savings. Customers who participate in ISOP will be assigned an energy coach. This single-point-of-contact approach reduces barriers to participation by eliminating confusion, fostering a long-term relationship, and increasing technically competent service to the customer.
- **Energy Management Coaching to Drive Persistent Savings.** A coaching approach based on strategic energy management principles is the centerpiece of ISOP for larger and more engaged customers. SEM-like coaching builds strong awareness, facilitates long-term, ongoing engagement with the customer, and helps the energy coach build trust and influence.

- **Multiple Tracks to Increase Program Accessibility** - Offering standard and enhanced tracks is an innovative delivery approach that tailors program solutions to meet varied customer needs with the goal of improving program accessibility.
- **Actionable Energy Data and Influence Documentation through SENSEI®** - Customers often do not have easy access to meaningful energy data. SENSEI® visualizes energy profiles and energy savings over time, in ways that lead to actionable energy management decisions. Use of SENSEI® views and reports is often the first time a customer can conveniently visualize an accurate accounting of the energy savings from their actions and share this information across their organization.
- **Creative Incentive Options to Drive Deeper Energy Savings** – Cascade’s multi-tiered incentive structure offers higher incentives, in alignment with lifetime net savings and with the CPUC’s incentive guidelines.

## B. Subject

Table A below lists the eight contract awards resulting from the initial round of negotiations following PG&E’s multi-sector solicitation. Per D.18-01-004, since all contracts to date resulting from this solicitation have terms longer than 36 months and/or are valued above \$5 million, each contract will require CPUC for approval via Tier 2 advice letter.<sup>16</sup> PG&E has drafted separate advice letters for each contract. The subject of this advice letter is the Cascade Energy Inc. – Industrial Systems Optimization (ISOP) Program contract which is proposing to serve customers in the Industrial sector.

Table A: Contracts Resulting From PG&E’s Local Multi-Sector Solicitation			
		Budget <sup>(a)</sup> (\$M)	Duration (months)
<b>Agricultural Sector</b>			
1.1	TRC Solutions, Inc. Agricultural Energy Savings Action Plan (AESAP)	\$34.4M	54
<b>Industrial Sector</b>			
2.1	CLEAResult Consulting, Inc. Business Energy Performance (BEP) Program	\$22.3M	42
2.2	Cascade Energy Inc. Industrial Systems Optimization (ISOP) Program	\$15.3M	54
<b>Commercial Sector</b>			
3.1	kW Engineering Grocery Comprehensive Retrofit and Commissioning (GCRCx) Program	\$5.4M	54
3.2	kW Engineering Smart Labs	\$4.4M	54

<sup>16</sup> D. 18-01-004, p. 61, OP 2.

Table A: Contracts Resulting From PG&E's Local Multi-Sector Solicitation			
		Budget <sup>(a)</sup> (\$M)	Duration (months)
<b>Public Sector</b>			
4.1	Willdan Energy Solutions Government and K-12 Comprehensive Programs	\$10.0M	54
4.2	Alternative Energy Systems Consulting, Inc. (AESC) RAPIDS Wastewater Optimization Program	\$4.2M	42
<b>Residential Sector</b>			
5.1	TRC Multifamily Energy Savings Program	\$11.9M	42

(a) Budget depicted is the total contract budget inclusive of IDSM funds.










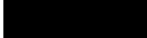
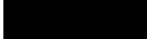
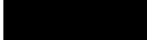

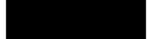
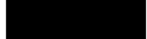
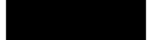
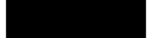
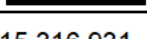
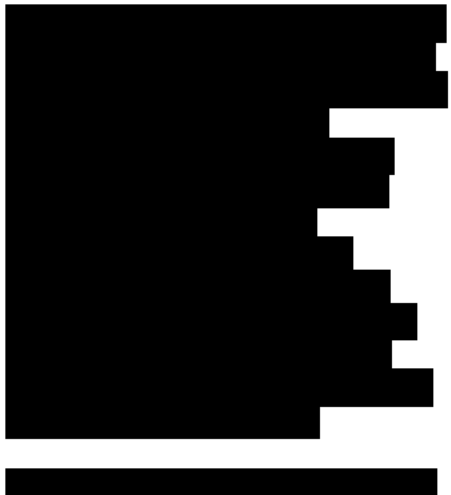
The following Table B provides a detailed contract summary for the contract that is the subject of this advice letter. Due to the ongoing negotiations, PG&E has included the contract sensitive information as part of the Confidential Section D.

Table B2.2 General Contract Summary – Cascade Energy, Inc. Industrial Systems Optimization Program (ISOP)		
1	Solicitation name	Local Multi-Sector RFA/RFP
2	Type of program: local, regional or statewide	Local
3	Delivery Type – specify the delivery type (i.e., direct install, upstream, midstream, or downstream)	Downstream
3.1	A. Direct Install/Downstream Customer Targeting (Yes or No)	No
3.2	B. Customer Targeting brief description, if applicable	ISOP targets industrial manufacturing and food processing facilities with energy-intensive complex mechanical systems with attractive energy savings potential. ISOP is primarily marketed through existing direct and indirect relationships, including relationships with corporate customers, industry associations, and vendors.
3.3	C. Midstream/Upstream Market Actors receiving incentives (i.e., manufacturers, distributors, contractors, or other (specify).	N/A
4	Market/Sector(s)	Industrial
5	Customer Segment(s)	Manufacturing Food Processing
6	Third-Party Implementer/Subcontractor name	Cascade Energy, Inc.

**Table B2.2 General Contract Summary – Cascade Energy, Inc.  
Industrial Systems Optimization Program (ISOP)**

7	Name of program or service	Industrial Systems Optimization Program
8	Brief description of program or service (2-3 sentences)	ISOP is an opt-in, single-point-of-contact delivery model for industrial manufacturing and food processing customers focused on training, retro-commissioning, and capital projects with systems-level optimization. ISOP serves all eligible customers via two tiers: an enhanced track that includes energy management coaching, energy management and collaboration software, and ongoing energy coach support to drive projects; and a standard track for customers with less ability or time to commit to the enhanced track that includes regular energy coach touchpoints and technical support to identify and implement projects. ISOP includes all relevant savings platforms: deemed, custom, and NMEC.
9	Total kWh Energy Savings (First year, net)	[REDACTED]
10	Total MW Energy Savings (First year, net)	[REDACTED]
11	Total therms Energy Savings (First year, net)	[REDACTED]
12	Hard to Reach (HTR) Customers <sup>1</sup> . 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	[REDACTED]
13	Disadvantaged Community (DAC) <sup>2</sup> Customers. 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 from program over all years program in effect	[REDACTED]
14	Forecasted Number of Customers Served by Program Year	PY2020: [REDACTED] PY2021: [REDACTED] PY2022: [REDACTED]

**Table B2.2 General Contract Summary – Cascade Energy, Inc.  
Industrial Systems Optimization Program (ISOP)**

15	Area(s) Served (including service territory, climate zones, cities, and/or counties, as applicable)	ISOP serves customers across PG&E territory and includes all climate zones.
16	Program TRC ratio (CET output)	
17	Program PAC ratio (CET output)	
18	Program \$/kWh (TRC levelized cost, CET output)*	
19	Program \$/kWh (PAC levelized cost, CET output)*	
20	Program \$/MW (TRC levelized cost, CET output)	
21	Program \$/MW (PAC levelized cost, CET output)	
22	Program \$/therm (TRC levelized cost, CET output)*	
23	Program \$/therm (PAC levelized cost, CET output)*	
24	Budget: Forecast budget by program year (PY) for each year contract in effect	PY 2020: \$  PY 2021: \$  PY 2022: \$  PY 2023: \$  PY 2024: \$ 
25	Budget: Forecast expenditures by program year (PY) for each year contract in effect	PY 2020: \$  PY 2021: \$  PY 2022: \$  PY 2023: \$  PY 2024: \$ 
26	Budget: Total Program Budget (include explanation for difference, if any, from total contract budget provided in Table A)	TOTAL    \$        15,316,931
27	Budget: If EE/DR component to the program, provide dollar amount and percent of total budget dedicated to EE/DR component	N/A
28	Measure(s)	

**Table B2.2 General Contract Summary – Cascade Energy, Inc.  
Industrial Systems Optimization Program (ISOP)**

29	Savings Determination Type (i.e. custom, deemed, Net Metered Energy Consumption, or Randomized Control Trial)	
30	Savings Calculation Method(s) (Meter-Based, Deemed, Calculated, Multiple and/or Other) If Multiple or Other, please specify	
31	Contract start date and end date	10/01/2020 – 03/31/2025
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 also include customer participation period.	

$$* \text{ Levelized TRC Cost (kWh)} = \frac{\sum_{i=1}^n (\text{TRCCost}_i * \text{WeightedElecAlloc}_i)}{\sum_{i=1}^n (\text{DiscountedSavingsNetkWh}_i)} \quad \text{Levelized TRC Cost (kWh)} = \frac{\sum_{i=1}^n (\text{TRCCost}_i * \text{WeightedElecAlloc}_i)}{\sum_{i=1}^n (\text{DiscountedSavingsNetkWh}_i)}$$

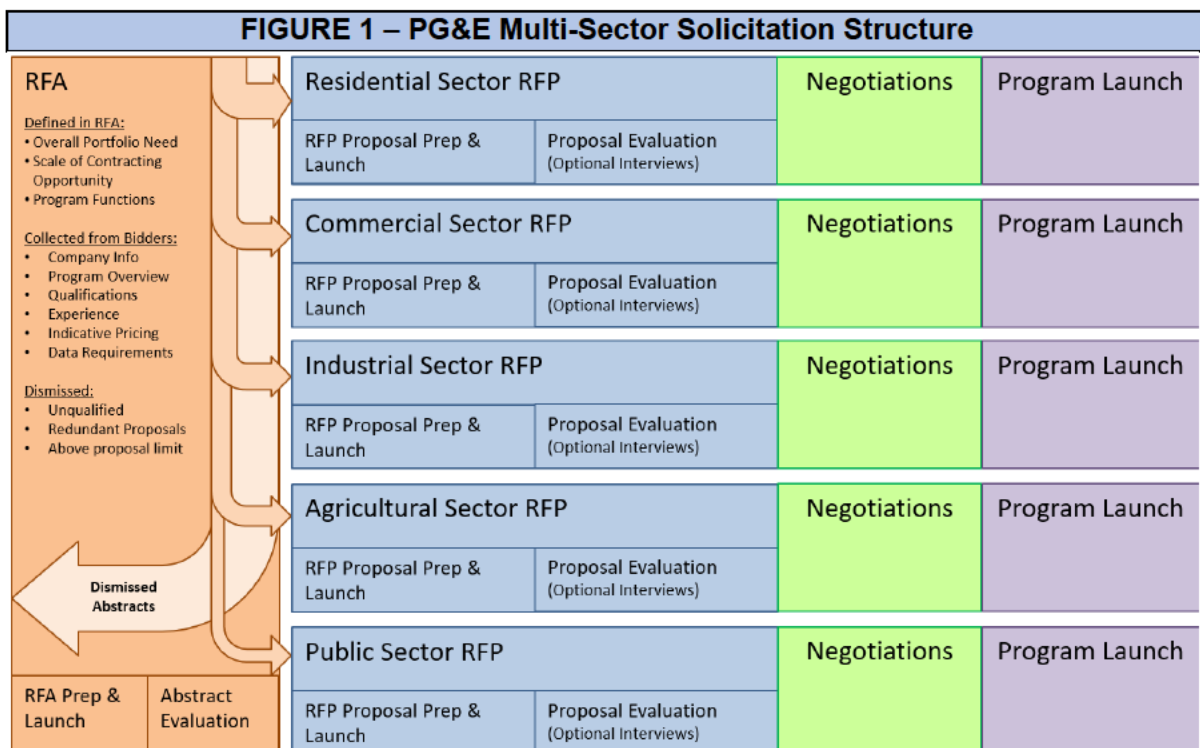
$$** \text{ Levelized PAC Cost (kWh)} = \frac{\sum_{i=1}^n (\text{PACCost}_i * \text{WeightedElecAlloc}_i)}{\sum_{i=1}^n (\text{DiscountedSavingsNetkWh}_i)} \quad \text{Levelized PAC Cost (Therm)} = \frac{\sum_{i=1}^n (\text{PACCost}_i * (1 - \text{WeightedElecAlloc}_i))}{\sum_{i=1}^n (\text{DiscountedSavingsNetThm}_i)}$$

where:  $i$  is the CET output row and  $n$  is the number of rows in a CET output

## C. Solicitation Process Overview

### I. Solicitation Strategy & Design

As prescribed in D.18-01-004,<sup>17</sup> PG&E designed a two-stage solicitation process that included an initial RFA solicitation stage followed by an RFP solicitation stage. To provide bidders with the maximum flexibility to design innovative programs, PG&E created a single comprehensive multi-sector solicitation that spanned the entirety of PG&E's resource program portfolio. The primary components of the solicitation process are depicted in *Figure 1 – PG&E Multi-Sector Solicitation Structure*.



Bidders shortlisted in the RFP were invited to participate in a round of competitive contract negotiations to determine final contract awards. The use of competitive negotiations was borrowed as a best practice from PG&E's Energy Supply all-source procurements where assembling a portfolio solution from dissimilar project technologies with high levels of complexity is common; a similar task to PG&E's multi-sector EE solicitation. All five IEs in PG&E's IE pool were assigned responsibility for a specific sector and deployed simultaneously to maximize the bandwidth to review the large number of submissions that were anticipated. Additional benefits of this approach included quickly and efficiently onboarding all IEs to the new process and reduced the risk of a single IE firm from PG&E's IE pool becoming overwhelmed and delaying the process. The IEs are listed below in *Figure*

<sup>17</sup> D.18-01-004, p. 57, Conclusion of Law (COL) 5.



2 – PG&E EE Independent Evaluator Pool along with their assigned sector of responsibility in this solicitation. The meeting time and cadence between PG&E and the IE pool varied throughout the various stages of the solicitation process. A weekly check-in call with the IE pool to discuss issues was the typical baseline engagement.

FIGURE 2 – PG&E EE Independent Evaluator Pool		
Customer Sector	Organization / Company	Independent Evaluator
Residential	The Mendota Group, LLC	Grey Staples Rachel Sours-Page
Commercial	EAJ Energy Advisors	Steve McCarty Norm Stone Mike Alexander
Industrial	Great Work Energy	Kim Crossman
Agricultural	Barakat Consulting	Elizabeth Lowe Lynn Landry
Public	Don Arambula Consulting	Don Arambula

## II. Solicitation Stage 1: Detailed RFA Overview

The purpose of the RFA was to collect, evaluate, and identify high potential program concepts and advance those program concepts to the RFP stage of the solicitation. The rest of this section describes in detail the execution of PG&E's multi-sector RFA process. A detailed RFA solicitation timeline can be found in *Figure 14 – RFA and RFP Solicitation Process Events*.

**RFA Scope & Structure:** PG&E streamlined its solicitation approach by utilizing a single RFA process to simultaneously collect local resource program concepts across its entire customer portfolio (including the residential, commercial, industrial, agricultural and public sectors). The RFA scope was intentionally broad to promote innovative cross-sector program concepts and bidders were provided the flexibility to utilize any combination of energy savings measurement platform (deemed, custom, NMEC). In alignment with PG&E's Solicitation Plan, PG&E promoted the inclusion of various strategic portfolio objectives by defining several specific program functions (e.g. disadvantaged communities (DAC), hard-to-reach (HTR) customers, Market Transformation, IDSM, and EE as a Grid Resource) within the solicitation instructions. These Program Functions gave bidders the option to specialize and selectively differentiate their program proposal to meet specific portfolio needs.

**RFA Eligibility:** PG&E desired broad participation in this RFA process and strived to lower barriers to participation by keeping eligibility requirements to a minimum. As this solicitation process focused on resource programs serving PG&E's customers, non-resource programs, statewide programs, and non-EE programs (i.e. demand response, distributed generation, etc.) were defined as ineligible. Bidders were allowed to submit an unlimited number of



program ideas. Each submission was limited in length to reduce the burden on solicitation participants to respond and also promote the efficient evaluation of a large number of program submissions.

**RFA Submission Format:** A complete RFA submission consisted of two documents; a Narrative Response Form which was provided as a pre-formatted Microsoft (MS) Word document collecting text question responses and a Program Data Response Form which was a pre-formatted MS Excel worksheet to collect numerical program information and facilitate automated data extraction for quantitative analysis. PG&E worked collaboratively with the IEs during RFA development to:

- Minimize the information requested in the RFA stage;
- Ensure that the information collected was utilized appropriately;
- Confirm that the instructions were clear; and
- Confirm the RFA forms were simple, understandable, and complete.

PG&E required bidders register and use the solicitation management platform Power Advocate when submitting documents or questions to PG&E.

**RFA Evaluation Criteria:** The RFA prompted bidders to provide descriptions of the proposed program design, innovative program features, any proposed strategic program functions, team qualifications and prior implementation experience. *Figure 3 – PG&E Multi-Sector RFA Evaluation Criteria* lists the various criteria and sub-criteria used to evaluate abstract submissions.

FIGURE 3 – PG&E Multi-Sector RFA Evaluation Criteria	
RFA Scoring Criteria	Sub-Criteria
Program Concept	Portfolio Alignment Assessment of Program Benefits Program Feasibility
Program Benefits	Team Composition & Qualifications Prior Program Implementation Experience
Program Innovation	Innovative Program Design Features

Each abstract submission received the same evaluation regardless of customer sector focus. Additional information such as indicative pricing, savings estimates, and supply chain responsibility were collected to broadly characterize the focus and scale of the proposed program but was not factored into the evaluation scoring at this stage. Following evaluation of the RFA, participants with sufficiently high scoring abstract submissions were notified that they were shortlisted in the RFA and advanced further in the solicitation process.

**RFA Final Document Review:** In the months leading up to RFA launch, PG&E presented to the PRG its multi-sector strategy, RFA structure, and evaluation approach for feedback. In

November 2018, PG&E presented to the PRG the completed RFA solicitation documents including the solicitation instructions, the scoring criteria, criteria weighting, and the two RFA response forms. During the final document review process PG&E collected a total of 268 comments and points of feedback from IEs and the PRG regarding the overall RFA process and the RFA solicitation documents. PG&E provided a response to each comment and explained what action, if any, it planned to take with each comment. A high-level summary of the feedback received from the PRG and IE pool during the RFA document review can be found in section 1.C.IX.

**RFA Launch:** PG&E issued its Local Multi-Sector RFA solicitation on November 28, 2018 as planned. PG&E uploaded all RFA solicitation documents to PG&E's EE Solicitations website where they were available for download without needing to register in Power Advocate. PG&E raised awareness of the solicitation launch by posting a Contract Opportunity Announcement (COA) to the California Statewide IOU and EE Proposal Evaluation & Proposal Management Application (PEPMA) website, the California Energy Efficiency Coordinating Committee (CAEECC) website, and relevant CPUC service lists.

**RFA Bidders Conference:** The RFA Bidders' Conference was held on December 10, 2018, in San Francisco at PG&E's Pacific Energy Center with 41 people attending in person and another 85 attending via the internet and/or by phone. IEs provided feedback on the presentation materials prior to the conference and monitored the discussion during the event for accuracy and fairness.

**RFA Question and Answer Period:** The deadline for bidders to submit written questions to PG&E via the Power Advocate platform was December 14, 2018. In total, PG&E received 153 questions from bidders. PG&E uploaded responses to questions in Power Advocate for all bidders to access on December 21, 2018. High level observations of the questions received can be found in section 1.C.VIII.

**RFA Evaluation Team Training:** The PG&E evaluation team was a committee composed of six manager-level evaluators who were key contributors to the PG&E Business Plan, had a broad understanding of EE programs and in-depth expertise across various customer sectors. Reviewers were screened for potential conflicts of interest before placement on the evaluation committee. Prior to receiving proposals for evaluation, PG&E conducted a training session with the evaluation team and IEs to provide an overview of the evaluation process steps, an orientation to the RFA scorecard, and guidance on how to apply the scoring criteria consistently and fairly. PG&E attempted to draft training materials to conduct a mock-scoring exercise, however the materials developed were not complete at the time of the training and not included.

**RFA Submission and Validation:** On January 14, 2019, PG&E received 170 Abstracts from 75 unique counterparties submitted through the PowerAdvocate platform. Prior to scoring, each Abstract was reviewed for conformance with solicitation eligibility requirements. PG&E eliminated 10 Abstracts due to missing/incomplete solicitation documents, providing duplicate document uploads, exceeding the page limit requirements,

or being outside the scope of this RFA and better suited for a different solicitation. A breakdown of the abstracts received by sector can be found below in *Figure 4 – Breakdown of Abstracts Received*. Abstracts were grouped by the primary customer sector they focused on. Programs that proposed to source more than 70 percent of savings from a single sector was assigned to that sector. The remaining submissions were grouped into a multi-sector category.

<b>FIGURE 4 – Breakdown of Abstracts Received</b>			
<b>Customer Sectors</b>	<b>Abstracts Received</b>	<b>Non-Conforming</b>	<b>Abstracts Evaluated</b>
Agricultural	12	1	11
Industrial	21	-	21
Public	15	1	14
Residential	43	4	39
Commercial	57	4	53
Multi-Sector	22	-	22
<b>Total</b>	<b>170</b>	<b>10</b>	<b>160</b>

**RFA Evaluation:** The abstract evaluation process started in mid-January and lasted for 4 weeks. Each Abstract was reviewed against the 6 evaluation criteria: portfolio alignment, assessment of benefits, program feasibility, team qualifications, implementation experience, and innovation in program design. For each abstract, PG&E evaluation team members individually assigned a preliminary score for each of the 6 evaluation criteria. IEs performed a parallel evaluation of each abstract.

**Evaluator Removed:** During the abstract review process, one of the PG&E evaluators informed the solicitation team that they were leaving PG&E to work at a company that, while not a Bidder in the solicitation, was active in the EE space and was a likely subcontractor for several program submissions. Upon learning of this news, the PG&E solicitation team conferred with the PG&E Sourcing Department and immediately cut off the access this individual had to any solicitation materials. No scores from this individual were accepted or utilized in any way during scoring and they were removed from any solicitation communications and discussions. The remaining five evaluation team members still represented all customer sectors in the solicitation, and it was decided that the remaining score team was adequate to proceed with evaluation. The IEs were informed of the actions taken to isolate this individual from the solicitation process and the PRG was informed at the following monthly meeting in February 2019.

**RFA Calibration:** After RFA evaluation, over two days, PG&E conducted calibration discussions across all scoring criteria and finalize abstract scores. Preliminary scores from the PG&E evaluation team members and the IEs were collected and compared. Calibration discussions were an opportunity to discuss points of disagreement observed in scoring and evaluation team members could adjust preliminary scores based on the insights shared by others. IEs participated in these calibration meetings and also monitored to ensure the

discussion did not impart unfair bias for/against any Bidder. The process prioritized discussions on criteria that exhibited high levels of disagreement and were limited to (a) abstracts with scores (including IE scores) with a range between the maximum and minimum score of 4, or (b) had a standard deviation of 1.2 and greater. While the outcome of scoring calibration did not yield any significant shifts in the overall lineup, the discussions proved quite valuable in sharing knowledge across different teams and also provided full transparency of the process to the IEs.

**RFA Final Scores:** After the calibration discussions concluded, any scoring adjustments were recorded, and final abstract scores were calculated. Final scores only considered PG&E evaluation team scores and did not include any IE scores in the calculation.

**RFA Shortlist:** PG&E presented the RFA evaluation process and discussed several shortlist options with the PRG at the regular monthly meeting in February 2019. The process for shortlisting proposals was straightforward. PG&E advanced the highest scoring abstracts within each sector. PG&E did not have a predetermined number of submissions to advance and instead looked for natural breaks in the scoring within each sector to determine the shortlist when possible. This resulted in slightly different passing scores in each sector. No clear break presented itself in the Commercial sector and as a result PG&E opted to extend the shortlist and allow additional participants to the Commercial RFP instead of drawing an arbitrary line between closely scored submissions. A breakdown of the shortlisted abstracts by sector can be found below in *Figure 5 – PG&E Multi-Sector RFA Shortlist*.

<b>FIGURE 5 – PG&amp;E Multi-Sector RFA Shortlist</b>					
<b>Customer Sectors</b>	<b>Abstracts Received</b>	<b>Non-Conforming</b>	<b>Abstracts Evaluated</b>	<b>Shortlisted in RFA</b>	<b>Advancing to RFP</b>
Agricultural	12	1	11	10	11 <sup>(a)</sup>
Industrial	21	-	21	17	15 <sup>(b)(c)</sup>
Public	15	1	14	11	12 <sup>(c)</sup>
Residential	43	4	39	17	16 <sup>(e)</sup>
Commercial	57	4	53	27	33 <sup>(b)(d)</sup>
Multi-Sector	22	-	22	9	0 <sup>(a)(d)(e)</sup>
<b>Total</b>	<b>170</b>	<b>10</b>	<b>160</b>	<b>91</b>	<b>87</b>

(a) One program submission was reassigned from the Multi-Sector to the Agricultural sector.

(b) One program submission was reassigned from the Industrial sector to the Commercial sector.

(c) One program submission was reassigned from the Industrial sector to the Public sector.

(d) Five program submissions were reassigned from the Multi-Sector to the Commercial sector.

(e) One Residential and three Multi-Sector submissions were reviewed in a separate process as 'portfolio tools.'

PG&E dismissed 69 abstracts from the RFA and shortlisted 91 abstracts yielding an overall pass rate of 57% for the RFA. Ultimately PG&E invited 87 of those 91 abstracts to participate in the subsequent RFP stage and held the remaining 4 abstracts for further

review in a separate solicitation process.<sup>18</sup> At the conclusion of the RFA, PG&E observed the evaluation of multi-sector programs within each sector was sufficient and did not justify the added complexity of a separate multi-sector category. PG&E eliminated the multi-sector category and assigned the remaining five submissions to the predominant sector featured in program. Finally, PG&E re-assigned three additional abstracts to different sectors that better aligned with the program focus.

### III. Solicitation Stage 2: Detailed RFP Overview

The purpose of the RFP was to conduct a comprehensive evaluation of each program proposal and identify a shortlist to advance to contract negotiations. The rest of this section describes in detail the execution of PG&E's multi-sector RFP process. A detailed RFP solicitation timeline can be found in *Figure 14 – RFA and RFP Solicitation Process Events*.

**RFP Scope & Structure:** Following the RFA, PG&E structured separate RFP “tracks” for each customer sector and conducted the proposal review within each track in parallel. Doing so facilitated the review of programs that proposed to serve multiple customer sectors. PG&E opted to draft a single modular RFP structure that could account for multi-sector multi-function program designs in a single format as opposed to developing individual RFPs for each sector. PG&E also provided additional information and clarity on the HTR/DAC and Grid Resource program functions. Inclusion of either specialized program functionality was optional for bidders. The Market Transformation program function was dropped in the RFP due to very low response rate.

**RFP Eligibility:** Participation in the RFP was by invitation only and limited to bidders of the 87 abstracts shortlisted in the previous RFA stage. Additionally, bidders were required to submit a proposal that substantively aligned with the program design evaluated in the RFA stage. The intent was to ensure the program proposed in the RFP maintained a connection to the program characteristics upon which the RFA scoring was based. Additional eligibility requirements included disclosing any potential conflict of interest as an IOU affiliate or any involvement as a CA EM&V program evaluator.

**RFP Submission Format:** A complete RFP submission consisted of a Narrative Response Form which was provided as a pre-formatted MS Word document collecting text question responses, a Program Data Response Form which was a pre-formatted MS Excel worksheet to collect numerical program information and facilitated automated data extraction for quantitative analysis, a contract term sheet for bidders to propose contract term redlines,<sup>19</sup> a complete set of program Cost Effectiveness Tool (CET) output files, team

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<sup>18</sup> Following RFA evaluation, one Residential and three Multi-Sector abstract submissions were recharacterized as ‘portfolio tools’ as they did not directly generate savings and instead proposed to support or enhance all programs in the portfolio. The RFP developed for stage 2 of this solicitation was not equipped to properly evaluate these unique submissions and they were instead reviewed individually in a separate process outside of the RFP.

<sup>19</sup> At the launch of the RFP, PG&E's EE Third-Party Program Implementation Agreement was undergoing extensive revision and was not ready to include in its entirety at this stage of the solicitation. PG&E opted to provide a term sheet listing key contractual terms for bidders to review and propose redlines. While providing a full form contract is the ideal best practice, the



resumes, a transmittal letter, an Experience Modification Rate (EMR) Letter, a Supply Chain Responsibility Exhibit, a lastly the direct entry of Supply Chain Responsibility information into the Power Advocate platform.

**RFP Evaluation Criteria:** In the RFP, bidders were requested to submit a program proposal that provided a comprehensive understanding of the program including a detailed description of the program design and logic, program management practices, aspects of program innovation, analysis of program cost-effectiveness, proposed payment structures, key contract terms (via a term sheet), program compliance requirements, and information responding to supply chain responsibility (the “Proposal”). *Figure 6 – PG&E Multi-Sector RFP Evaluation Criteria* lists the various sub-criteria used to evaluate each proposal submission.

<b>FIGURE 6 – PG&amp;E Multi-Sector RFP Evaluation Criteria</b>	
<b>RFP Scoring Criteria</b>	<b>Sub-Criteria</b>
Program Design	Program Design, Theory & Evaluability <sup>(a)</sup> Customer Acquisition & Outreach <sup>(a)</sup> IDSM Program Features Program Innovation
Program Benefits	Cost Effectiveness Energy Savings
Program Feasibility	Program Management & Risk Compensation & Performance Savings Measurement <sup>(b)</sup> Compliance Requirements
Company Qualifications	Implementer Team Qualifications <sup>(a)</sup> Prior Implementer Experience <sup>(a)</sup>
Supply Chain Responsibility	Diverse Supplier Sustainability Plan
Grid Resource Program (optional)	Grid Resource Program Design
HTR / DAC Design (optional)	HTR Program Design DAC Program Design

(a) For programs that proposed to serve multiple customer sectors, the noted evaluation criteria were reviewed and scored independently by each sector team to capture the unique attributes of each sector and inherent differences between sectors. A final composite score was developed based on the proportion of savings that the program would derive from each sector (e.g. a program deriving 80% of its savings from the Industrial sector and 20% from the Commercial sector would have certain criteria reviewed by both the Industrial and Commercial teams. The final composite score would be based 80% on the Industrial evaluation and 20% on the Commercial evaluation.

(b) Bidders were required to provide responses for any combination of energy savings measurement platform in their program design (deemed, custom, NMEC). Evaluation teams specific to each platform were formed to review all program submissions incorporating that platform. Similar to the multi-sector evaluation described above, a composite score was developed based on the proportion of savings that the program would derive from each platform (e.g. a program deriving 70% of its savings from the deemed platform, 20% from custom, and 10% from NMEC would have a final Savings Measurement composite score based 80% on the deemed evaluation, 20% on the custom evaluation, and 10% on the NMEC evaluation.

The scoring of the RFP was more robust than what was developed in the RFA. In addition to more evaluation criteria, several sub-criteria scores were developed as a composite of multiple review team contributions. This allowed the scoring to track with the changing program attributes and promoted fairness even across programs with different program characteristics. Multiple scorecards were also developed to calculate unique scoring for optional HTR / DAC and Grid Resource program functions. Ultimately these additional scorecards added to the complexity of the scoring calculations without providing much more value over directly calculating the program function component score. These additional HTR / DAC and Grid Resource scorecards ultimately were not used in practice.

**RFP Final Document Review:** In the months leading up to RFP launch, PG&E presented to the PRG the multi-sector RFP structure, refined program function detail, and RFP scoring methodology for early feedback. In May 2019, PG&E presented the completed RFP solicitation documents including the solicitation instructions, the scoring criteria and weighting, and the narrative and data response forms for PRG review. During the process PG&E collected a total of 173 comments and points of feedback from IEs and the PRG regarding the overall RFP process and the RFP documents. PG&E provided a response to each comment and explained what action, if any, it planned to take with each comment. A high-level summary of the feedback received from the PRG and IE pool during the RFP document review can be found in section 1.C.IX.

**RFP Launch:** PG&E issued the Local Multi-Sector RFP solicitation on June 13, 2019. Since participation in the RFP was by invitation only, PG&E notified bidders of the RFP directly via the Power Advocate platform and did not broadly circulate a contract opportunity announcement as was done for the RFA. As this was a 'closed' solicitation, PG&E provided all RFP solicitation documents to bidders through the Power Advocate only. At the conclusion of the RFP PG&E intends to post all solicitation documents provided as part of the RFP to the PG&E EE Solicitations website similar to the RFA materials.

**RFP Bidders Conference:** The RFP Bidders' Conference was held on June 21, 2019, in San Francisco at PG&E's Pacific Energy Center with 19 people attending in person and another 142 attending via the internet and/or by phone. IEs reviewed the presentation materials prior to the conference and monitored the discussion during the event for accuracy and fairness.

**RFP Question and Answer Period:** The deadline for bidders to submit written questions to PG&E via the Power Advocate platform was July 10, 2019. In total, PG&E received 280 questions from bidders. Due to the large volume of questions received, PG&E provided responses in batches as they were ready. PG&E uploaded the final Bidder Q&A Log to Power Advocate on July 25, 2019 for all bidders to access (one week beyond the planned deadline) after reviewing with the IEs. High level observations of the questions received can be found in section 1.C.VIII.

**RFP Early CET Review:** In this RFP, bidders were provided with the option to submit their program CET files to PG&E for an early analysis. The objective of this early review process

was to help reduce barriers for new entrants less familiar with the CET and improve the quality of bid information submitted. The scope of the review focused on quality control checking of errors including identification of incorrect or inapplicable values. IEs monitored all feedback provided to bidders to ensure the information provided was unbiased. Bidders could utilize this feedback to make adjustments before submitting their CET as part of their final RFP submission. PG&E also provided bidders with CET reference and training materials such as a CET input guide and a PG&E measure value picklist.

The deadline to submit early CET information to PG&E was July 5, 2019. PG&E received 34 program CET files for early review out of a possible 87. The early CET review required substantial input from PG&E subject matter experts (SMEs) with specialized skillsets and the intensity of the CET review proved time consuming. PG&E extended the deadline for PG&E to respond to bidders with CET feedback from July 17, 2019 to July 24, 2019.

**RFP Evaluation Team Training:** The PG&E RFP evaluation team was extensive and consisted of 9 sub-teams populated by 50 PG&E SMEs focused on the areas of program management in the Residential, Commercial, Industrial, Public and Agricultural sectors, program EM&V, CET modeling, IDSM, marketing and customer outreach, policy, energy savings platforms (deemed, custom, NMEC), PG&E Sourcing and Supply Chain Responsibility. Prior to receiving proposals for evaluation, PG&E conducted multiple training sessions with the evaluation teams and IEs to provide an overview of the evaluation process, orientation to the scorecard, and guidance on how to apply the scoring criteria consistently and fairly.

**RFP Submission and Validation:** PG&E extended the solicitation submission deadline from July 31, 2019 back several days to allow adequate time for bidders to incorporate the CET and Q&A information provided by PG&E. On August 2, 2019, PG&E received 77 proposals from 37 unique counterparties. Each proposal was reviewed for conformance with solicitation eligibility requirements prior to scoring. PG&E eliminated 3 proposals due to missing/incomplete solicitation documents, for providing information of a program not advanced from the RFA, and in one instance submitting a program proposal with significant program design changes from what was submitted in the RFA without explanation or justification for the changes. A breakdown of the proposals received by sector can be found below in *Figure 7 – Breakdown of Proposals Received*.

FIGURE 7 – Breakdown of Proposals Received					
Customer Sectors	Invited to RFP	No Bid Submitted	Proposals Received	Non-Conforming	Proposals Evaluated
Agricultural	11	2	9	-	9
Industrial	15	1	14	-	14
Public	12	3	9	-	9
Residential	16	1	15	1	14
Commercial	33	3	30	2	28
<b>Total</b>	<b>87</b>	<b>10</b>	<b>77</b>	<b>3</b>	<b>74</b>



**RFP Evaluation:** Individual scoring of proposals started in mid-August and lasted for 4 weeks. Each proposal was reviewed against the evaluation criteria and sub-criteria listed in *Figure 6 – PG&E Multi-Sector RFP Evaluation Criteria*. PG&E evaluation team members individually assigned a preliminary score for each sub-criterion within their area of specialization. Programs proposing to serve multiple sectors received multiple reviews from the perspective of each sector. IEs performed a parallel evaluation of each proposal within their assigned sectors and also provided reviews of multi-sector programs that proposed to serve any portion of their assigned sector. In total 74 program proposals from 37 individual bidders were evaluated in the RFP.

**RFP Calibration:** From September 10, 2019 through September 26, 2019 PG&E conducted calibration discussions across all scoring criteria and finalize proposal scores. Preliminary scores from the PG&E evaluation team members and the IEs were collected and compared. Calibration discussions were an opportunity to discuss points of disagreement observed in scoring and evaluation team members could adjust preliminary scores based on the insights shared by others. IEs participated in these calibration meetings and also monitored to ensure the discussion did not impart unfair bias for/against any Bidder. The process prioritized discussions on criteria that exhibited high levels of disagreement and were limited to proposals with sub criteria scores (including IE scores) with a range between the maximum and minimum score of 2 or greater. This lower threshold prompted significantly more calibration discussions than what was conducted in the RFA and accounts for the substantial increase in time devoted to RFP calibration.

While most calibration meetings raised no concerns, the Program Benefits calibration discussion focused on the CET review and raised concerns regarding the overall quality of CET data. PG&E considered the CET values to be unrealistic such that confidence in using the CET information proposed in the RFP as a basis for a future contract negotiation was low. The most common input errors observed included incorrect or unsubstantiated applications of measure codes, load shapes, climate zones, Effective Useful Life(EUL)/Remaining Useful Life (RUL), and baseline usage assumptions. PG&E first raised the issue with the PRG during its September monthly meeting and returned to the PRG the following October meeting with a proposed shortlist accompanied by a detailed proposal to modify the solicitation process and address the CET data issue going forward.

**RFP Final Scores:** After the calibration discussions concluded, any scoring adjustments from PG&E evaluation team members were recorded and final proposal scores were calculated. Final proposal scores only considered PG&E evaluation team scores and did not include any IE scores.

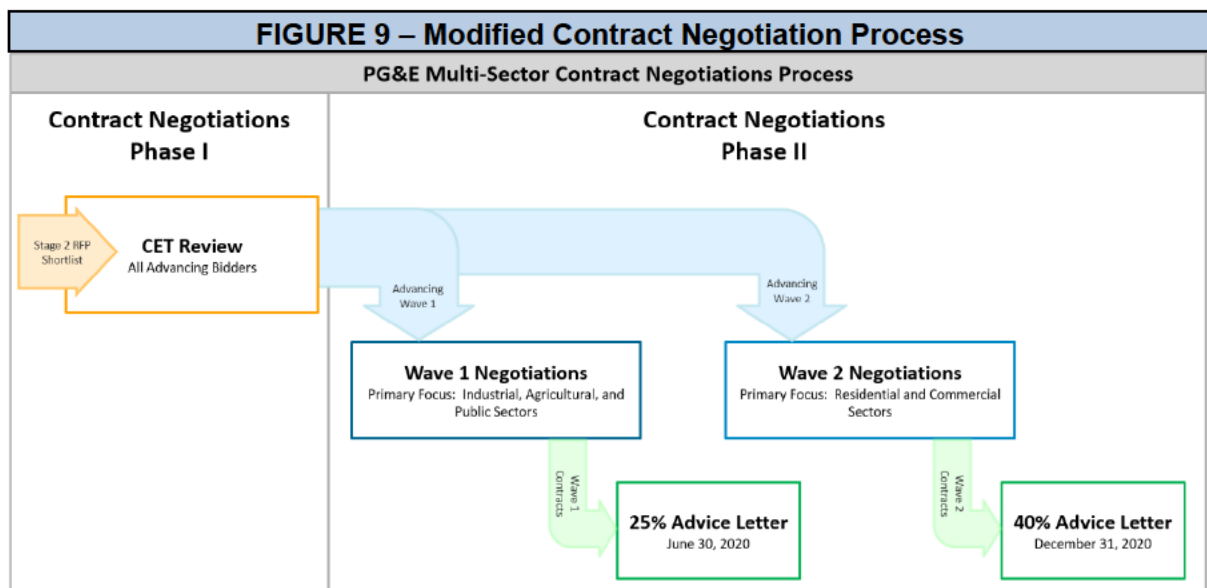
**RFP Shortlist:** In October 2019, PG&E presented the RFP evaluation process to the PRG and discussed several possible approaches to shortlisting proposals. In light of the concern over CET data, PG&E decided to draft a conservative RFP shortlist and then add an additional step to the contract negotiations process to provide a more in-depth CET review prior to detailed contract negotiations. Similar to the RFA, the process for shortlisting proposals in the RFP was straightforward. PG&E advanced the highest scoring proposals

from within each sector and again used natural breaks in the scoring to determine the shortlist. As a consequence of the CET data concerns, PG&E opted to advance the majority of proposals onward in the process and reduced the size of the field much less than originally anticipated. Proposals that were dismissed at this point in the process displayed material deficiencies in other categories such that even a favorable re-evaluation of the CET would unlikely make the proposal competitive. A breakdown of the shortlisted abstracts by sector can be found below in *Figure 8 – PG&E Multi-Sector RFP Shortlist*. PG&E dismissed 28 proposals from the RFP and shortlisted 46 proposals yielding an overall pass rate of 62% for the RFP.

FIGURE 8 – PG&E Multi-Sector RFP Shortlist				
Customer Sectors	Proposals Received	Non-Conforming	Proposals Evaluated	Advance to Negotiations
Agricultural	9	-	9	4
Industrial	14	-	14	11
Public	9	-	9	6
Residential	15	1	14	7
Commercial	30	2	28	18
<b>Total</b>	<b>77</b>	<b>3</b>	<b>74</b>	<b>46</b>

#### IV. Contract Negotiation Process Overview

In response to the CET data quality concerns observed during RFP evaluation, PG&E, after consultation with the PRG and the IEs, modified the solicitation process and conducted a detailed review of each program's CET submission before directly engaging in detailed contract negotiations. A diagram depicting the modified negotiation process steps is provided below in *Figure 9 – Modified Contract Negotiation Process*.



Additionally, during the course of administering this RFP, the 2019 Navigant EE Potential and Goals study published in July of 2019 profiled a sizeable reduction in EE potential and as a consequence the goals adopted by the Commission in D.19-08-034 were similarly reduced. PG&E subsequently adjusted future portfolio budgets in its 2020 ABAL from prior forecasts. A reduction of EE potential and portfolio budget of this magnitude was not anticipated at the outset of this solicitation, and program budgets originally proposed by the bidders were now noticeably oversized compared to the budget available in the portfolio and needed to be rescaled significantly. The need to revisit the CET data coupled with the need to rescale program scope and budget resulted in PG&E proposing to address both issues simultaneously in the additional step added to the solicitation process. This additional step was referred to as Phase 1 Negotiations.

**Phase 1 Negotiations – CET Review:** PG&E added Phase 1 Negotiations to the solicitation process to simultaneously rescale program contracting opportunities to align with new reduced budget levels and also conduct a focused review of program CETs before proposing further dismissals to the Bidder field. PG&E believed conducting this review as part of contract negotiations with IE monitoring would be more effective than attempting to repeat the CET review that was already performed during the RFP evaluation. The addition of this new process step created two distinct parts or ‘phases’ to negotiations. All 46 proposals shortlisted in the RFP were advanced to Phase 1 of negotiations. PG&E assembled an internal team to conduct the CET reviews and created a communications plan to explain the CET review process to bidders and communicate the rescaled budget targets in the portfolio. Similar to the early CET review process, PG&E provided bidders with a CET Input Guide, a pre-recorded CET webinar along other resources to help assist bidders.

PG&E hosted 60-90-minute information sessions with each bidder between December 2-16 (time varied to accommodate bidders with multiple proposals). Information sessions were focused on providing bidders with rescaled program budget information and bidder specific feedback on how to reduce input errors and improve the overall confidence of the CET evaluation. IEs monitored each information session to ensure fairness of the process and that any feedback provided was unbiased. During Phase 1 Negotiations, one Bidder notified PG&E that they were withdrawing their proposal from further consideration in the solicitation process.

Following the CET review, PG&E and IEs concurred that the extra CET review process was successful and sufficiently improved the CET data quality. PG&E observed improved documentation of assumptions and refinements in budget, net benefits, and TRC values to levels that PG&E believed realistically modeled the performance of the programs. Once the CET reviews were completed, the Program Benefits scoring criteria from the RFP was reevaluated and replaced with the updated scores. Low scoring proposals were dismissed with the remaining bidders advancing to contract negotiations.

FIGURE 10 – Breakdown of Phase 1 Negotiations			
Customer Sectors	Advanced to Phase 1	Dismissed Phase 1	Advanced to Phase 2

Agriculture	4	1	3
Industrial	11	1	11 <sup>(a)</sup>
Public	6	1	5
Residential	7	1	6
Commercial	18	3	15
<b>Total</b>	<b>46</b>	<b>7</b>	<b>40</b>

(a) PG&E's sequencing of negotiations had Industrial negotiations in Wave 1 and Commercial negotiations primarily in Wave 2. This required one submission proposing to comprehensively serve both the Commercial and Industrial sectors to negotiate each sector separately and effectively split the program. The Industrial half of the program was added to the Industrial sector total. The Commercial portion of the program will be negotiated as part of Wave 2.

**Structure of Contract Negotiations:** Due to the open scope and flexibility of PG&E's solicitation process, the programs under consideration at this point displayed considerable variation ranging from small programs targeted at niche customer segments to large comprehensive programs offering to serve entire sectors within PG&E's portfolio. To help classify program offerings and give structure to portfolio building, PG&E formed negotiation cohorts grouping together programs proposing to serve similar customer segments and offering similar scope. Cohorts were formed around programs targeting individual customer segments within a sector or around programs proposing to broadly serve all segments within a sector. Within each cohort, programs were ranked according to RFP score. PG&E used these negotiation cohorts to assemble different program combinations when considering various sector and portfolio scenarios.

**Wave 1 vs. Wave 2:** To prioritize the large number of contract negotiations required, PG&E divided the field into two "waves". Wave 1 included the entire Industrial, Agricultural, and Public sectors as well as Residential Multifamily and several small niche programs in the Commercial sector. All of the sectors in Wave 1 were planned to be included as part of PG&E's 25% outsourcing target due June 30, 2020. Of the 40 programs that advanced to Phase 2 Contact Negotiations, 23 were grouped into Wave 1, and the remaining 17 were included in Wave 2. Refer to *Figure 11 – Breakdown of Wave 1 and Wave 2 Negotiations* for sector level detail of each negotiation wave.

<b>FIGURE 11 – Breakdown of Wave 1 and Wave 2 Negotiations</b>			
<b>Customer Sectors</b>	<b>Advanced to Phase 2</b>	<b>Included in Wave 1</b>	<b>Included in Wave 2</b>
Agriculture	3	3	-
Industrial	11	11	-
Public	5	5	-
Residential	6	2	4
Commercial	15	2	13
<b>Total</b>	<b>40</b>	<b>23</b>	<b>17</b>

PG&E was strategic in how and when it utilized competitive negotiations. In areas where there was a clear high-scoring standout program offering, PG&E engaged that counterparty in contract discussions. The other programs in the cohort were retained as negotiation

alternatives. If the contract terms remained attractive and all parties could reach agreement, PG&E moved forward and did not engage other counterparties in contract discussions. If during negotiations the proposed terms appeared to diminish from the original proposal or PG&E observed other areas of concern with program implementation, PG&E would either expand negotiations and engage the next program in the cohort or reevaluate the approach to the sector.

For sectors that contained both segment-level and sector-level program options, PG&E had the option to consider either a single program implementer to serve the entire sector or negotiate multiple segment-level programs to collectively serve the sector. PG&E did not have a stated preference for either approach as both accomplished PG&E's EE Business Plan objective of streamlining the portfolio.<sup>20</sup>

**Phase 2 Negotiations – Contracting:** PG&E's EE Program Implementation Agreement (PIA) served as the starting point for negotiation of an executable agreement. This contract form was recently updated to include more flexible annual program realignment provisions and a new performance contract management framework. This contract was reviewed by IEs and presented to the PRG in the February and March monthly meetings. In contract negotiations, PG&E and bidders engaged in detailed discussions of pricing & compensation, performance contracting terms, key performance indicators (KPIs), program scope and budget adjustments, and other proposed changes to modifiable contract terms.

Final contract awards occurred when both parties were able to reach mutually agreeable terms and that agreement also provided the best overall available benefits to PG&E customers and the EE portfolio while effectively managing program delivery risk. PG&E holistically considered the proposed program benefits, overall program cost-effectiveness, adoption of performance contracting terms, the inclusion of program innovation, historical Bidder team experience, and overall risk mitigation approaches when making final contract award determinations.

**Wave 1 – 25% Outsourcing:** As Wave 1 negotiations were concluded, PG&E came to agreement on terms with 6 counterparties and executed 8 contracts for resource programs. All of the contracts included in Wave 1 negotiations were allocated to PG&E's 25% outsourcing compliance requirement ahead of the June 30, 2020 deadline.<sup>21</sup> The agricultural, residential, and commercial sector negotiations were straightforward. Negotiations with the top bidder in each area were successful and negotiation discussions did not expand further. In the industrial and public sectors, PG&E considered both a comprehensive sector-level program option as well as creating a small portfolio of segment-level programs. Overall the efficiencies and flexibility of a single implementer was well

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<sup>20</sup> PG&E's Energy Efficiency Business Plan 2018-2025, pg.1, Portfolio Overview.

[https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE-Energy-Efficiency-Business-Plan-2018-2025.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/energy-efficiency-solicitations/PGE-Energy-Efficiency-Business-Plan-2018-2025.pdf)

<sup>21</sup> D.18-01-004 p. 61 OP. 1a



received, but the approach also raised concerns as these sectors displayed an extreme degree of variety and specialization across all segments. Based on refreshed program data provided in negotiations, PG&E concluded the optimum approach to balance program implementation risk was to split the sectors in each contract award. Below *Figure 12 – Wave 1 Contract Awards* depicts the number of submissions in each sector that were included in Wave 1 negotiations, the number that were actively engaged in negotiation discussions, how many were held as negotiation alternatives, and how many contracts were ultimately awarded.

<b>FIGURE 12 – Wave 1 Contract Awards</b>					
<b>Customer Sectors</b>	<b>Advance to Phase 2</b>	<b>Advance to Wave 1</b>	<b>Active Negotiations</b>	<b>Negotiation Alternative</b>	<b>Wave 1 Contract Awards</b>
Agriculture	3	3	1	2	1
Industrial	11	11	9	2	2
Public	5	5	4	1	2
Residential	6	2	1	1	1
Commercial	15	2	2	-	2
<b>Total</b>	<b>40</b>	<b>23</b>	<b>17</b>	<b>6</b>	<b>8</b>

**Wave 2 – 40% Outsourcing:** Wave 2 of negotiations is ongoing and will focus on the remaining segments within the Residential and Commercial sectors. The contracts resulting from Wave 2 negotiations will be used to comply with PG&E's 40% outsourcing compliance requirement due December 31, 2020.

#### **V. Solicitation Timelines**

The following table depicts the planned timeline of solicitation events for PG&E's Multi-Sector RFA and RFP compared to the actual timeline with notes on when and why deviations occurred.

<b>FIGURE 13 – RFA and RFP Solicitation Process Events</b>			
<b>Event</b>	<b>Planned Date</b>	<b>Actual Date</b>	<b>Notes</b>
<b>RFA Material Development</b> Developed solicitation materials, evaluation criteria and definitions, and reviewed by IEs and PRG members.	Fall 2018	Fall 2018	
<b>RFA Issued</b> RFA documents were available to bidders on PG&E's EE Solicitation Website as well	November 28, 2018	November 28, 2018	Week 1:  Start multi-sector

FIGURE 13 – RFA and RFP Solicitation Process Events			
Event	Planned Date	Actual Date	Notes
as PowerAdvocate for download.			solicitation - Stage 1
<b>RFA Pre-Bid Conference</b> Conference made available both In-person and via online to all interested participants. Registration was not required to attend this event.	December 10, 2018	December 10, 2018	Week 2:
<b>RFA Q&amp;A Deadline</b> Deadline to submit written questions to PG&E in PowerAdvocate.	December 14, 2018	December 14, 2018	Week 3:
<b>PG&amp;E Q&amp;A Response Deadline</b> Deadline to respond to bidders' questions. bidders had access to all written questions and to PG&E's responses in PowerAdvocate.	December 21, 2018	December 28, 2018	Week 4:  PG&E responded to 143 questions from potential bidders.
<b>Abstract Submission Deadline</b> Abstract submission due date. Registration in PowerAdvocate was required to submit an Abstract to PG&E.	January 14, 2019	January 14, 2019	Week 7:
<b>RFA Evaluation and Scoring</b> Scoring and Calibration Screened 170 and scored 160 abstracts.	January 14 – February 11, 2019	January 14 – February 25, 2019	Week 7 – 13:
<b>RFA Shortlist Finalized</b>	February 11-13, 2019	February 25-26, 2019	Week 13:
<b>RFA Shortlist Presented to PRG</b>	February 26, 2019	February 26, 2019	Week 13:
<b>RFA Shortlist Notification</b> Bidders were notified whether their Abstract(s) were shortlisted through PowerAdvocate.	February / March 2019	March 29, 2019	Week 17: PG&E notified 76 bidders regarding the status of their Abstract(s).
<b>RFP Material</b>	April 2019	April 2019	Week 18-27:

**FIGURE 13 – RFA and RFP Solicitation Process Events**

<b>Event</b>	<b>Planned Date</b>	<b>Actual Date</b>	<b>Notes</b>
<b>Development</b> Developed solicitation materials, scoring rubric, scoring elements and criteria and presented to and reviewed by IEs and PRG members.			
<b>RFP Issued</b> RFP documents were available to bidders in PowerAdvocate for download.	June 13, 2019	June 13, 2019	Week 28: Bidders were notified that the RFP was launched.
<b>CET Review Support Available to Bidders</b> Bidders can submit CET analysis to PG&E within PowerAdvocate for early review and feedback.	June 13, 2019	June 13, 2019	Week 29: PG&E prepared and provided CET reference training materials, and instructions on PowerAdvocate.
<b>RFP Pre-Bid Conference</b> In-person Pre-Bid Conference event registration and webinar access instructions available in PowerAdvocate.	June 21, 2019	June 21, 2019	Week 31: 19 people attending in person and another 142 people attending via the internet and/or by phone.
<b>Early CET Review Deadline</b> Deadline for bidders to submit CET analysis to PG&E within PowerAdvocate for early review and feedback.	July 5, 2019	July 5, 2019	Week 31: 34 of the total 87 proposals submitted CET files for PG&E's review.
<b>RFP Q&amp;A Deadline</b> Written questions regarding the RFP were due to PG&E in PowerAdvocate.	July 10, 2019	July 10, 2019	Week 32: PG&E received 280 questions in total.
<b>PG&amp;E Q&amp;A Response Deadline</b> Bidders had access to review PG&E's responses to all written questions submitted in the RFP.	July 17, 2019	July 18, 2019	Week 34: PG&E responded to 274 questions. The response was released in batches and the final Q&A master was posted on July 18.
<b>PG&amp;E CET Response Deadline</b>	July 17, 2019	July 24, 2019	Week 35:



FIGURE 13 – RFA and RFP Solicitation Process Events			
Event	Planned Date	Actual Date	Notes
<b>Proposal Submission Deadline</b> Bidders Proposals submission due date. Registration in PowerAdvocate was required to submit a Proposal.	July 31, 2019	August 2, 2019	Week 36: Deadline extended due to additional request for data
<b>RFP Evaluation and Scoring</b>	August 5 - September 27, 2019	August 5- September 23, 2019	Week 37-43: PG&E screened 77 Proposals and scored 74 Proposals
<b>RFP Shortlist Finalized</b> Shortlist to Phase I Negotiations	September 16-27, 2019	October 15, 2019	Week 47: 46 Proposals advanced to Phase 1 of negotiations.
<b>RFP Shortlist Notification</b> Bidders were notified whether their Proposal(s) were Advancing through PowerAdvocate	September 2019 (tentative date)	November 7-14, 2019	Week 50-51: Two phase approach: bidders that were advancing to Phase 1 were notified on November 7. The bidders that were not advancing were notified on November 12-14.
<b>Phase 1 Contract Negotiations</b> Rescaled budget and CET instructions were available in PowerAdvocate		November 22, 2019	Week: 52-53: PG&E 25% compliance target was extended to June 30, 2020. PG&E reassessed CET and budget.
<b>Phase 2 Wave 1 Contract Negotiations</b> Detailed contract discussions		February 2020-May 15, 2020	Week: 63-76: Negotiations concluded
<b>Execute Agreements</b> Parties negotiations and successful agreement with counterparties reflected in executed Agreements	October / November 2019	June 2020	Week: 79-83: PG&E executed eight contracts resulting from Wave 1 of the multi-sector RFP.
<b>Advice Letter</b> PG&E filed 5 Advice Letters by Sector	November / December 2019	July 28, 2020	Week 92: PG&E filed 1 Advice Letter for each contract (8 Advice Letters total)

## VI. Solicitation Marketing Outreach

To generate awareness of upcoming solicitation contracting opportunities in advance of a solicitation, PG&E utilized the following information distribution channels:

- PG&E Bidding Opportunities website
- PG&E EE Third-Party Solicitations website
- California Statewide IOU Energy Efficiency Proposal Evaluation & Proposal Management Application (PEPMA) website
- California Energy Efficiency Coordinating Committee (CAEECC) website
- CPUC service lists (R. 13-11-005, A. 17-01-013, A.17-01-012)

PG&E also engaged in the following workshops and facilitated other activities to prepared and support potential bidders in preparation for the upcoming solicitations.

FIGURE 14 – Vendor Outreach Activities	
Event Date	Activity
June 16, 2017	CPUC Third-Party Solicitation Process Workshop (PG&E hosted)
September 18, 2017	Joint IOU Bidder Conference #1 (PG&E hosted)
November 2017	Joint IOU Bidder Conference #2 (SDG&E hosted)
January 31, 2018	Supplier Diversity Vendor Matchmaker Workshop (PG&E hosted)
March 6, 2018	Joint IOU Bidder Conference #3 (SCE hosted)
July 2018	PG&E hosted CET training Workshop
July 17, 2018	PG&E hosted Energy Savings Platforms Training

## VII. Efforts to increase bidder's awareness of the process and the tools/platforms used to communicate this opportunity.

In addition to the outreach and education efforts discussed in section 1.C.VI, PG&E also strived to improve awareness and engagement with the solicitation process in the following ways:

- EE resources were provided on PG&E's EE Solicitations website "Resources" tab.

PG&E collected relevant EE reference materials on important CPUC Decisions, policies and other CA legislation, PG&E's EE Portfolio, PG&E's solicitation strategy, and PG&E's Energy Savings Platform Rulebook.

- RFA Solicitation documents posted to PG&E EE Solicitations website

PG&E made all RFA documents available on the PG&E EE Solicitations website when launching the RFA. This allowed any interested party to easily access and

review the solicitation documents without having to register within Power Advocate. Post materials outside of Power Advocate also make them visible in internet searches. PG&E will post original RFP documents to the EE Solicitation website after contracting is concluded similar to the RFA.

### **VIII. Communications with Bidders**

Whenever possible, communications between PG&E and bidders was managed within the Power Advocate platform. Use of a single communications platform during a solicitation reduces the risk of conflicting information being shared in different venues, maintains a complete record of communications, and allows easy access for IEs to monitor discussion for bias. Communications with bidders in this process can broadly be categorized into two types: one-way communications and two-way communications. One-way communications were typically informational messages, instructions, or status updates from PG&E to the bidders that did not require a response beyond acknowledgement of receipt. Examples of one-way communications with bidders included mid-process status updates, and shortlist notifications. Two-way communications most often took the form of a question which required a response or a request for additional information. Most two-way communications occurred during the RFA Q&A period, the RFP Q&A period, the Early CET Review

#### **(a) RFA Question Themes Observed**

As the RFA was new solicitation process, PG&E observed that in addition to the typical expected questions regarding submission documents and format requirements, the majority of questions focused on novel and unique aspects of the RFA, the program function definitions, and areas of evolving EE policy. In particular, the following themes were observed by PG&E in the RFA questions:

- **Multi-Sector RFA Process:** Clarification of future solicitation process steps, overall scope and eligibility requirements of the RFA, and how multi-sector proposals will be treated;
- **Program Functions and IDSM:** Questions regarding the IDSM and the HTR/DAC and Grid Resource program functions requesting further information on requirements and how each would be treated in evaluation;
- **EE Portfolio:** Additional information on how and to what extent PG&E plans continue the existing program portfolio and manage the transition to the new program portfolio;
- **EE Policy:** Further definition of the scope and timing of other Statewide programs, portfolio metrics, how the workpaper development process intersects the solicitation process, and impacts of recent measure changes.

PG&E provided responses to these questions during the RFA drafting period and based on this data, significantly increased the level of information included in the RFP explaining

future process steps and program function requirements.

**(b) RFP Question Themes Observed**

In the RFP, PG&E observed the following question themes:

- **RFP Documents:** Clarifications of submission requirements, word limitations, acceptable formatting of forms;
- **Multi-Sector Process:** Treatment of multi-sector programs, solicitation communication channels, declaration of communications with other bidders in partnerships and joint proposals;
- **CET:** How the CET submissions will be evaluated, how to incorporate NMEC measures, how to include programs costs such as IDSM;
- **NMEC:** Clarity on policy limitations of NMEC in certain sectors, NMEC measures in the CET, BRO savings;
- **Program Budget:** More information on what activities to include in the program budget provided, what QA/QC costs to include, what EM&V costs to include;
- **Contract:** Questions on contract term, payment structure, KPIs, insurance levels and license requirements;
- **Customer Data:** Clarification of the availability of customer data to support programs and further detail on the requirements and process to secure data access.

PG&E provided responses to these questions during the RFP drafting period. It was also noted that several subject areas that received a large number of questions in the RFA (HTR/DAC programs, Grid Resource programs, and IDSM) received noticeably fewer questions in the RFP. This is presumably due to the substantially improved level of information PG&E incorporated into the RFP on each subject.

**(c) Other Key Communication Points**

PG&E would like to point out several other major topics that required a tailored communication approach:

**Budget Reductions:** As previously described, in the middle of the RFP process, the 2019 EE Potential and Goals study was published significantly reducing the estimated potential and consequently the available EE budget for PG&E's portfolio. A reduction this extreme was not contemplated at the outset of this process and was communicated to bidders as soon as the scale of the proposed reductions was understood.

**Performance Contracting Framework:** In parallel with this significant solicitation effort, PG&E was also giving its standard EE Contract a significant overhaul to address prior

known issues of vendor performance and accountability. Ideally the form of this contract would be included as part of the RFP, however, this work was still in process and PG&E opted to include a term sheet of key contractual terms for bidders to redline. This is a common and acceptable solicitation practice adopted from Energy Supply when a solicitation is under schedule pressure. The updated contract terms were shared with the IEs and the PRG in advance of detailed contract negotiations.

Significant time was taken during the initial negotiation kickoff meetings to walk bidders through the new proposed framework and PG&E provided detailed definitions and an excel tool to demonstrate how to model each term. While complex, several bidders thanked PG&E during negotiations for taking a reasonable approach to incorporating cost-effectiveness and performance terms into an EE contract.

### **IX. Independent Evaluators**

PG&E engaged all five IEs from the Commission's approved list of IEs for this Multi-Sector RFA/RFP process. Each IE was assigned responsibility for a customer sector as outlined in *Figure 4 – PG&E EE Independent Evaluator Pool*. The unique approach of deploying multiple IEs simultaneously to a solicitation provided the following advantages:

- Documents were reviewed by all five IEs during drafting resulting in an extremely robust review process;
- IEs were able to meet collectively to discuss emerging issues and the feedback provided to PG&E included the full spectrum of available IE perspectives;
- Dividing the review responsibilities among all IEs reduced the risk of solicitation delays and mitigated against the risk of being dependent upon a single IE firm.
- All IEs were immediately engaged in the new process and were able to quickly establish a common baseline of activity for the IE role.

PG&E engaged the IE pool throughout the solicitation process. IE feedback was openly received, considered, and discussed. The principle areas of engagement with IEs included:

- Review of solicitation documentation before the solicitation was issued;
- Independent evaluation of the abstract and proposal submissions;
- Shortlist development;
- Monitoring communications, feedback calls, and contract negotiations with bidders;
- Reporting to the PRG and participation in monthly PRG meetings.

The final IE Contract Report<sup>22</sup> is provided as Public Attachment A, and the supplemental final IE Contract Report is provided as Confidential Appendix A.

**(a) Summary of IE input in RFA**

Throughout the development of the RFA solicitation materials and during the review of final solicitation documents, IEs recorded in a comment tracker all input and recommendations to: the general instructions and response forms; scoring criteria and weightings; alignment between the scoring criteria and solicitation documents; and attended the Pre-Bid conference; and monitored communications with bidders and PG&E responses to bidder questions. PG&E generally accepted or partially accepted IE and PRG feedback. A summary of overall IE observations that PG&E incorporated into the RFA process included the following:

- Increased emphasis of innovation in RFA general instructions;
- Increased emphasis on the importance of savings, cost, and increasing cost-effectiveness in RFA general instructions;
- Increased flexibility of PG&E program function descriptions in the RFA general instructions allowing bidders to select multiple functions in the single program;
- Collected and uploaded key CPUC/legislative decisions, references and definitions on the PG&E EE Solicitation webpage;
- Adjusted RFA scoring criteria allocating more weight to company experience, innovation, and compliance in RFA scoring.

Several IE expressed concerns that the scope and complexity required to execute a multi-sector solicitation. In response, PG&E simplified the process where possible but ultimately continued with the multi-sector RFA approach as originally planned.

**(b) Summary of IE input in RFP**

Throughout the development of the RFP solicitation materials and during the review of final solicitation documents, IEs recorded in a comment tracker all input and recommendations to: the general instructions and response forms; the contract term sheet, scoring criteria and weightings; alignment between the scoring criteria and solicitation documents; and attended the Pre-Bid conference; and monitored communications with bidders and PG&E responses to bidder questions. PG&E generally accepted or partially accepted IE and PRG feedback. A summary of overall IE observations that PG&E incorporated into the RFP process included the following:

- Extensive revisions to narrative and data response forms to improve clarity and

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<sup>22</sup> "Given that we are not requiring that all third-party contracts be submitted for formal approval by the commission, we will require a formal IE report to accompany only those contracts required to be submitted via a Tier 2 advice letter." D. 18-01-004 p. 37.

completeness;

- Redrafted NMEC and Custom M&V instructions to align with latest CPUC guidance;
- Improved training of evaluation team members in advance of proposal scoring;
- Finalized and documents early CET review process providing bidders with a response template and helpful reference and training materials.

During the early CET review process, the IEs monitored PG&E's responses to bidders to ensure consistency, accuracy, and free of any bias.

(c) Summary of IE input in Negotiations

During the Phase 1 CET review, each IE monitored communications between PG&E and bidders within their assigned sector of responsibility. IEs also reviewed the draft contract forms prior to kicking off Phase 2 contract negotiations. The IEs also monitored communications between PG&E and bidders during Phase 2 Contract Negotiations to ensure discussions were conducted fairly.

## 2. TRANSITION PLAN FROM EXISTING TO NEW PROGRAM

PG&E summarizes the transition from similar existing programs serving the Industrial and Agricultural sectors to the new third party implemented program Cascade ISOP in *Figure 15 – Transition Plan* below. For existing similar programs being fully replaced, the table defines the replacement programs, including; all new third party implemented programs and existing programs. The new third party implemented programs resulting from PG&E's local multisector solicitation that are identified in the transition plan table below are in **bold** text. Existing programs serving the Industrial sector that will not transition in full to the new third party implemented programs have been identified as "Not Replaced" in the table below. There are no similar existing programs serving the Industrial sector that will partially transition to the new third party implemented programs.

Figure 15: Transition Plan from similar existing PG&E programs serving the Industrial and Agricultural sectors to the new third party implemented programs.

FIGURE 15 – Transition Plan				
Transition Plan to New 3P Program	EXISTING INDUSTRIAL PROGRAMS			
	PrgID	Program Name	Subprogram Name / Program Common Name	Subsector
Full Replacement by the following programs; Industrial sector (Manufacturing/food processing) will be served by new 3P Program in Industrial sector ( <b>Cascade ISOP</b> ). Industrial sector (Mining and chemical manufacturing) will be served	PGE21027	Heavy Industry Energy Efficiency Program	Heavy Industry Energy Efficiency Program	Comprehensive

FIGURE 15 – Transition Plan				
Transition Plan to New 3P Program	EXISTING INDUSTRIAL PROGRAMS			
	PrgID	Program Name	Subprogram Name / Program Common Name	Subsector
by new 3P Program in Industrial sector ( <b>CLEAR</b> Result <b>BEP</b> ).				
Full Replacement by the following programs; Industrial sector (manufacturing/food processing/ industrial warehouse) will be served by new 3P Program in Industrial sector ( <b>Cascade ISOP</b> ). Non-Industrial Customers will be served by PG&E Calculated program.	PGE210210	Industrial Recommissioning Program	IRCx	Comprehensive
Full Replacement by following program; Industrial sector (Oil/gas, Mining, and Petroleum) will be served by new 3P Program in Industrial sector ( <b>CLEAR</b> Result <b>BEP</b> ).	PGE21026	Energy Efficiency Services for Oil Production	Energy Efficiency Services for Oil Production	Petroleum
Full Replacement by the following programs; Public sector will be served by new 3P Program in Public sector ( <b>AESC RAPIDS</b> ). Non-Public sector will be served by new 3P Program in Agricultural sector ( <b>TRC AESAP</b> ).	PGE210135	Water Infrastructure and System Efficiency	WISE	food processing / wineries & breweries / wastewater
Not Replaced. The Ind Calculated incentives program will continue to serve Ind customers as PG&E transitions the portfolio to 3P design/implemented programs. New 3P programs will be the primary channel for new projects. Ind Calculated will finish existing projects and will be a secondary program to fill gaps, as needed.	PGE21021	Industrial Calculated Incentives	Industrial Calculated	Comprehensive
Not Replaced. The Ind Deemed incentives program will continue to serve Ind customers as PG&E transitions the portfolio to 3P design/implemented programs. New 3P programs will be the primary channel for new projects. Ind Deemed will finish existing projects and will be a secondary program to fill gaps, as needed.	PGE21022	Industrial Deemed	Industrial Deemed	Comprehensive
Not Replaced.	PGE210212	Compressed Air and Vacuum Optimization Program	ICASE	Comprehensive



FIGURE 15 – Transition Plan				
Transition Plan to New 3P Program	EXISTING INDUSTRIAL PROGRAMS			
	PrgID	Program Name	Subprogram Name / Program Common Name	Subsector
Not Replaced.	PGE21030	Industrial Strategic Energy Management	Industrial SEM	Comprehensive
Not Replaced.	PGE21030	Industrial Strategic Energy Management	Industrial SEM	Comprehensive
Transition Plan to New 3P Program	EXISTING AGRICULTURAL PROGRAMS			
	PrgID	Program Name	Subprogram Name / Program Common Name	Subsector
Full Replacement by the following programs; Agricultural sector will be served by new 3P Program in Agricultural sector ( <b>TRC AESAP</b> ). Industrial sector will be served by new 3P program in Industrial sector ( <b>Cascade ISOP</b> ). Public sector will be served by new 3P program in Public sector ( <b>AESC RAPIDS</b> ). Other sectors will be served by Core Calculated Program.	PGE210311	Process Wastewater Treatment EM Pgm for Ag Food Processing	Process Wastewater Treatment	other
Full Replacement by the following programs; Agricultural sector will be served by new 3P Program in Agricultural sector ( <b>TRC AESAP</b> ). Industrial sector (Manufacturing/Food processing) will be served by new 3P Program in Industrial sector ( <b>Cascade ISOP</b> ).	PGE21039	Comprehensive Food Process Audit & Resource Efficiency Pgm	Comprehensive Food Process (CFP)	Comprehensive; Food Processing

### 3. CONFIDENTIALITY

In support of this advice letter, PG&E provides the following confidential information: executed Third-Party Implementer Energy Efficiency Program contracts, information about the participants and offers submitted in response to PG&E's local multi-sector RFP including the evaluation and analysis of the value of such offers, information and program metrics, financial and performance statistics of the parties, and the confidential results of the solicitation.

A Declaration Seeking Confidential Treatment is submitted in support of this advice letter, as

required by D. 08-04-023, to demonstrate the confidentiality of material and to invoke the Commission's protection of confidential utility data and information provided under D.06-06-066 (see, Appendix 1, ("IOU Matrix")) and Appendix C D. 08-04-023 or General Order 66-D.

**Confidential Attachments:**

Confidential Appendix A: Independent Evaluator Report (Redacted version included with public submittal)

Confidential Appendix B: Solicitation Process Overview

Confidential Appendix C: Local Multi-Sector Selection

Confidential Appendix D: Third-Party Contract Summary

- a) Table 1 Contract Summary
- b) Table 2 and 3
- c) Table B1 (Redacted version included with public submittal)

Confidential Appendix E: Third-Party Contracts

# **Public Attachment A**

## **Energy Efficiency Third-Party Solicitation Advice Letter**

### **Final Independent Evaluator Report (Public)**



JULY 24, 2020



# FINAL SOLICITATION REPORT

PG&E MULTI-SECTOR SOLICITATION, INDUSTRIAL EE PROGRAMS

CONTRACT: INDUSTRIAL SYSTEMS OPTIMIZATION PROGRAM

KIM CROSSMAN  
GREAT WORK ENERGY LLC  
Independent Evaluator

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## 1. SUMMARY

Beginning in November 2018, PG&E administered a two-stage solicitation for third party EE programs in PG&E territory serving within or across any customer sectors.

For the Industrial sector, the solicitation concluded in June 2020 with final contracts executed with two new third party programs, each serving dedicated sub-sectors within the Industrial sector. With the exception of the current Industrial SEM programs, which will continue, the new programs will replace core Industrial EE programs at PG&E with third party designed and managed programs.

The Industrial Systems Optimization Program (ISOP) program by Cascade Energy will serve the Food Processing and Manufacturing subsectors, with a total budget of ~\$15 million over a three year program period.

Great Work Energy (GWE) is the Independent Evaluator (IE) assigned to monitor and report on the PG&E Multi-sector solicitation design, process and outcomes for programs serving the Industrial sector. PG&E encouraged and enabled IE monitoring and feedback on materials, process steps and all decisions made throughout the process, without exception.

GWE found that PG&E was receptive to IE and PRG feedback and the process was transparent to IEs and PRG. PG&E treated all bidders consistently in the solicitation and outcomes were fair and appropriate. IE observations and assessments are detailed in this Final Report, and include:

- RFA and RFP materials were generally well designed and fairly straightforward to use.
- There was robust market participation in the solicitation across all sectors.
- Scoring and selection criteria and weighting prioritized PG&E and CPUC's shared objectives and needs for the future CA EE portfolio. Scorecards incorporated feedback from the Independent Evaluators (IEs) and Procurement Review Group (PRG).
- PG&E consistently applied the evaluation methodology to all bids to determine final scores and recommended shortlists.
- Low quality of CETs submitted by bidders made scoring Program Benefits accurately challenging in the RFP. Lack of confidence in critical bidder generated CET outputs such as TRC and lifecycle savings resulted in a first phase of negotiations focused on working with bidders to achieve more accurate and compliant CETs prior to shortlisting again and beginning actual contract negotiations.
- Cascade Energy's ISOP program is well designed, cost-effective and innovative.

[REDACTED] The contract meets the goals and objectives laid out in the solicitation.

## 2. INTRODUCTION

### 2.1 PURPOSE

The Final Solicitation Report (Report) provides an assessment of the Pacific Gas and Electric Company's (PG&E or the Company) third-party energy efficiency (EE) program solicitation process and outcome by the assigned Independent Evaluator (IE). To be in compliance with California Public Utilities Commission (CPUC) direction, an individual report on the solicitation process resulting in any contract award \$5 million or greater and/or with a contract term of longer than three years is required to be submitted along with the Tier 2 advice letter seeking Commission review of such contracts.<sup>1</sup>

For PG&E's Local Multi-Sector Solicitation, there were five IEs engaged, assigned by sector. These five IEs worked together on general oversight and progress reporting to PG&E and the PRG during the RFA and RFP stages, but focused attention only on their assigned sectors where applicable in the process (reviewing abstracts/ proposals, shortlisting and selection, monitoring negotiations and reviewing final contracts). The IEs for each sector are providing Final Solicitation Reports for contracts in their assigned sectors.

Table 1 IE Sector Assignments	
Sector	IE
Agricultural	Barakat Consulting, Inc. (BCI)
Public	Don Arambula Consulting (DAC)
Commercial	EAJ Energy Advisors (EAJ)
Industrial	Great Work Energy (GWE)
Residential	The Mendota Group (TMG)

This report by Great Work Energy provides information on the Local Multi-sector solicitation process overall, with a focus on how the process unfolded for Industrial bids and assesses the fairness and transparency of these processes. In Sections 8 and 9, the report addresses an outcome of this process, one of the two Industrial programs that were selected through this solicitation, the Industrial Systems Optimization Program (ISOP) from Cascade Energy, serving the Food Processing and Manufacturing subsectors. The report is intended to accompany the contract and Advice Letter being submitted by the IOU for Commission review and approval and will be submitted to PRG.

### 2.2 BACKGROUND: A TIMELINE FOR TRANSITION TO THIRD-PARTY EE PROGRAMS

In August 2016, the California Public Utilities Commission (CPUC) adopted Decision 16-08-019, which defined a "third-party program" as a program proposed, designed, implemented, and

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<sup>1</sup> Decision 18-01-004, OPN 5.d.



delivered by non-utility personnel under contract to a utility program administrator. In January 2018, the CPUC adopted Decision 18-01- 004 directing the four California Investor Owned Utilities (IOUs)—Pacific Gas & Electric (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas)—to ensure that their EE portfolios contain a minimum percentage of third-party designed and implemented programs by predetermined dates over the next three years. Further directions were included in (D.) 18-05-041, which states:

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

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

In a letter dated November 5, 2019, PG&E requested an extension to June 30, 2020 to meet the 25 percent requirement to allow for sufficient time for a detailed and thoughtful contract negotiation stage for its Local Multi-Sector Request for Proposal (RFP).

In November 2019, the CPUC granted PG&E’s request for extension of time to meet the 25 percent threshold by June 30, 2020<sup>2</sup>. The CPUC further stated that, consistent with D.18-05-041, the IOUs must meet at least 40 percent of their energy efficiency portfolios under contract for programs designed and implemented by third parties by December 31, 2020. No further extensions of time will be granted to the IOUs for meeting the third-party percentage requirements specified in Ordering Paragraph 4 of D.18-05-041.

## 2.3 ROLE OF THE PRG AND IE IN THIRD PARTY EE SOLICITATIONS

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

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<sup>2</sup> CPUC Letter to IOUs regarding the “Request for Extension of Time to Comply with Ordering Paragraph 4 of Decision 18-05-041”, November 25, 2019.

negotiations.

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

### **3. SOLICITATION OVERVIEW**

PG&E took an ambitious approach to refreshing its EE portfolio, embracing the CPUC's policy direction of third-party program design and allowing third parties to design and implement new program proposals in all sectors of its portfolio not covered by CPUC-required statewide programs. In the Local Multi-sector Solicitation, PG&E utilized a single two-stage solicitation process for soliciting all local third-party EE programs targeting Residential, Commercial, Public, Industrial, and Agricultural customers.

#### **3.1 PROGRAM SCOPE**

PG&E sought a wide range of abstracts with a high level of innovation and creativity around cost-effective approaches to identifying and capturing deep, long-term energy savings of all customers. PG&E sought and considered a wide variety of third-party program proposals that in total could contribute to a cost-effective program portfolio and:

- Serves all PG&E customer sectors and sub-sectors, including all types and sizes of customers, across all geographies within PG&E's service territory.
- Addresses the specific needs of Hard-to-Reach (HTR) markets and Disadvantaged Communities (DAC).
- Promotes long-term market transformation of the EE market.
- Does not duplicate or interfere with the scope of EE programs identified for statewide administration.
- Includes local pilot ideas to test new programs in PG&E territory with potential for future statewide administration.
- Includes any combination of resource and/or non-resource programs or program elements that support energy savings acquisition.
- Utilizes deemed, custom, and/or meter-based energy savings calculation methodologies or any combination of these methodologies.
- Utilizes any combination of upstream, midstream, or downstream delivery channels.
- Includes EE programs that have Integrated Demand Side Management (IDSM) capabilities,

including, but not limited to Demand Response (DR), Distributed Generation (DG), Grid Resource (GR), Energy Storage, and Electric Vehicles (EV).

- Provides novel approaches to improving the customer experience and outcomes.
- Adds to the diversity, safety, and sustainability of PG&E's supplier base.

### 3.2 SOLICITATION OBJECTIVES

PG&E issued the RFA/RFP to solicit third-party program proposals from prospective bidders to establish a new portfolio of third-party programs according to the outsourcing compliance requirement timeline set forth by the CPUC in Decision 18-01-004. The RFP collected program proposals for all five of PG&E's customer sectors, and those targeting multiple sectors. The negotiations and contracting process was intended to ensure that the final selections for each sector are in alignment with PG&E portfolio goals and that the solicitation results in contracts that maximize ratepayer value while appropriately balancing risk.

### 3.3 MILESTONES IN THE SOLICITATION PROCESS

- ◆ The **RFA process** yielded 170 abstracts, short high-level summaries of third-party program design concepts, from across all customer sectors. The abstracts were screened, evaluated and scored, a shortlist was created and 87 were invited to participate in the RFP stage. The RFA process began in November 2018 with materials development and concluded in March 2019 with an approved shortlist to proceed to RFP and notifications to bidders.
- ◆ The **RFP process** began in April 2019 with materials development and continued through early November with bidder notification. In August 2019, bidders submitted 77 proposals in response to the RFP. Proposals were screened, evaluated and scored. 46 proposals were shortlisted to proceed to negotiations and bidders were notified of outcomes in November 2019.
- ◆ **Contract negotiations** began in November 2019. Due to the volume of proposals, a desire to improve the overall quality of submitted CETs, and the need to communicate sector-level budget targets, PG&E established a two-phase process for its competitive contract negotiations. In **Phase 1 negotiations**, [REDACTED]

- ◆ During **Phase 2 negotiations**, bidders were tasked with clarifying and refining their proposed payment structures [REDACTED]

[REDACTED]

PG&E further narrowed the field of bidders and continued negotiations on contract terms with finalists.

- ◆ **Final contracts** executed by PG&E and the selected Implementers reflect the outcomes of these negotiations. PG&E's intention is to use the first group of negotiated contracts to meet the June 30, 2020, deadline for its minimum 25 percent target.

### 3.4 TIMING

The Local Multi-sector solicitation was PG&E's first under the new third party EE outsourcing mandate, rules and oversight structure. Many practices and structures were being developed in real time during this solicitation, both within PG&E and between PG&E, the PRG and IEs, so while the pace of work was frantic, the process overall was slow. This seemed unavoidable due to circumstances, but there were some issues that caused increased delays and effort in the solicitation, that could be addressed differently in future solicitations:

- There was multiple month lag between the RFA bidder notification and publishing the RFP, where RFP materials were being prepared and reviewed. While the characteristics of abstracts received inform what is needed in an RFP, PG&E should begin development of RFP Materials in parallel with administration of the RFA to reduce lag time between stages.
- The greatest delay was related to challenges in accurately assessing cost-effectiveness, savings and performance compensation at the RFP stage, which led to [REDACTED] a multi-phase negotiations process to support final selection.

Table 2 Major Milestones	
Milestone	Completion Date
RFA Stage	
RFA Release	November 28, 2018
Abstracts Submitted	January 14, 2019
Bidder Notification	March 29, 2019
RFP Stage	
RFP Release	June 13, 2019
Proposals Submitted	August 2, 2019



Table 2 Major Milestones	
Milestone	Completion Date
Scoring	August–Sept 2019
Shortlisting	October 29, 2019
Bidder Notification	November 7, 2019
Contracting Stage	
Phase 1 Contract Negotiations	November 2019 – January, 2020
Phase 2 Contract Negotiations	February 2020 – June 2020
Advice Letter – NTP (estimated)	June 2020 – September 2020

### 3.5 KEY OBSERVATIONS

Throughout the solicitation process, IEs monitored progress and reported emerging issues and recommendations for improvement to PG&E and the PRG. PG&E was receptive to IE and PRG feedback and demonstrated willingness and ability to adjust approaches in order to improve work in progress and future efforts. Many issues were addressed during the solicitation process and have been previously reported in the Semi-annual Reports. The Key Issues below (Table 3) include just a subset of these, which Great Work Energy observed were particularly important to the process and outcomes of the Industrial solicitation. Lessons learned identified should inform future solicitations.

Table 3 Key Issues and Observations			
Topic	IE Observation	IE Recommendation	IOU Response/ Outcomes
1.Developing Scorecard in Tandem with RFA/RFP Materials	While the highest level criteria and weightings were developed early, PG&E did not develop the full score card until after the RFA was launched. This constrained what could be scored to just the information that had already been requested in the RFA materials.	IEs requested that PG&E develop a complete scoring approach, criteria definitions, and scorecard in parallel with developing RFP materials. To ensure that all needed information is requested from bidders, scoring criteria including definitions and scale should be developed, vetted, and finalized prior to launching a solicitation.	PG&E provided significant detail about scoring plans during development of the RFP, and discussions with the IEs were robust. Level 1 criteria and Level 2 sub-criteria were developed with the RFP package, and this represented a real improvement compared to RFA stage. But the final steps such as defining the scale of 1–5 scores for each criterion still lagged until just prior to scoring.
<b>Lesson Learned:</b> Developing the full scorecard at the same time as RFA/RFP materials ensures that just the right information is requested from bidders to support effective scoring and selection.			

**Table 3 Key Issues and Observations**

Topic	IE Observation	IE Recommendation	IOU Response/ Outcomes
2. Importance of Effective Score Team Training and Mock Scoring Exercises	Score team training provides critical preparation for effective individual scoring. Training provided at the RFA stage was useful for conveying policy and process guidance, but IEs noted low emphasis on the scoring rubric.	IEs requested that PG&E provide score team training to better align reviewers and confirm reviewer understanding of scoring criteria definitions and scale. IEs recommend incorporating a mock scoring exercise for experiential practice and to socialize how the criteria are applied and evaluated.	At RFP, PG&E held scoring training sessions that included some mock scoring exercises. These sessions resulted in good discussion and clarification on the scoring criteria.
<b>Lesson Learned:</b> Scoring training that includes experiential practice applying the scoring criteria improves individual scoring and streamlines calibration.			
3. Staying Aligned with Evolving NMEC Rules	First draft of narrative questions for bidders on NMEC M&V did not meet CPUC's requirement for a detailed M&V plan to be included in proposals that include NMEC.	IE recommended that PG&E rework NMEC question set for future solicitations to reflect updated NMEC rules, in coordination with PG&E SMEs.  Consider if and how to incorporate new NMEC rules into negotiations of new contracts.	PG&E revised the NMEC M&V section to ask for an M&V plan that included all the elements described in the CPUC's NMEC M&V rulebook v1. Final NMEC question set was effective, bidder responses provided a reasonable basis to assess the feasibility of proposed NMEC M&V.  CPUC NMEC rulebook v2 published in January 2020 reflects new rules, which greatly reduce M&V plan requirements at RFP stage.
<b>Lesson Learned:</b> NMEC is still emerging in CA. IOUs should keep their NMEC experts engaged, be prepared to adjust approach and convey new requirements to bidders as appropriate throughout solicitations and contracting.			

Table 3 Key Issues and Observations			
Topic	IE Observation	IE Recommendation	IOU Response/ Outcomes
Lesson Learned:			

**Table 3 Key Issues and Observations**

Topic	IE Observation	IE Recommendation	IOU Response/ Outcomes
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Lesson Learned:			
[REDACTED]			



Table 3 Key Issues and Observations			
Topic	IE Observation	IE Recommendation	IOU Response/ Outcomes
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Lesson Learned: [REDACTED]			

## 4. SOLICITATION OUTREACH AND BIDDER RESPONSE

### 4.1 BIDDER RESPONSE TO SOLICITATION

PG&E's outreach strategy for the Multi-sector RFA focused on informing potential bidders about the solicitation opportunity and making solicitation materials and information easily accessible. PG&E used a dedicated Third-Party Energy Efficiency Solicitations web site, <https://www.pge.com/eesolicitations> to make all solicitation information available publicly. The site provided a solicitation schedule, general solicitation resources, training materials, registration information for PG&E's online procurement tool (PowerAdvocate®), as well as providing RFA/RFP materials for any interested party to review/download, without a requirement to register

in PowerAdvocate. Solicitation information was posted to the California Energy Efficiency Coordinating Committee (CAEECC)'s web site. PG&E also sent email messages announcing the RFA to relevant CPUC service lists and to bidders registered with its sourcing department.

PG&E's outreach through these standard methods resulted in a robust and competitive solicitation, with multiple proposals within and across each of the sectors. In response to the RFA, 170 program abstracts were submitted by 75 lead bidders. The massive scope and scale of the PG&E Multi-sector solicitation appears to have been sufficient to attract the interest of the market, as reflected in the solicitation response (Table 3).

Only those abstracts selected in the RFA are eligible to participate in the RFP. PG&E reached out to RFP bidders directly through PowerAdvocate to communicate about RFP solicitation status.

Table 4 Solicitation Response		
All EE Programs		No.
All Sectors	Abstracts Received	170
	Abstracts Selected	87
	Proposals Received	77
Subset: All Programs That Include Some Industrial EE		
Includes Industrial EE	Abstracts Received	47
	Abstracts Selected	28
	Proposals Received	26
Subset: Industrial EE Programs		
Entirely or Primarily Industrial EE	Abstracts Received	21
	Abstracts Selected	15
	Proposals Received	14

#### 4.2 BIDDERS CONFERENCE AND Q&A

PG&E hosted bidders conferences within 1-2 weeks of posting the RFA and RFP solicitations, which were well attended and effectively facilitated. PG&E attempted to answer bidder questions received before, during and after these events quickly and accurately, and was mostly successful at accomplishing this.

Table 5 Bidders Conferences	
RFA Bidders conference date	December 10, 2018
Number of attendees	41 in person, 85 online
Number of questions received	138
RFP Bidders conference date	June 21, 2019
Number of Attendees	19 in person, 142 online
Number of questions received	280

## RFA Q&A

PG&E received bidder questions at the bidders conference event and through PowerAdvocate before and after the bidders conference. All questions received were answered and the Q&A was shared with all registered bidders on December 21, 2018 via PowerAdvocate.

Given the broad scope of the solicitation and emphasis at the RFA stage on program design, many bidder questions focused on defining and better understanding the functions sought and underlying policy objectives that were in addition to resource acquisition, including Integrated Demand Side Management (IDSMS) and grid resources, market transformation, Hard to Reach (HTR) customers and Disadvantaged Communities (DAC), workforce standards and innovation.

## RFP Q&A

For the RFP, PG&E received bidder questions through PowerAdvocate, the bidders conference, and the CET early review process. 280 questions were received, which did not seem excessive given that 87 abstracts were selected to participate in the RFP. An average of three questions per bidder seemed reasonable given the RFP's extensive requirements.

The RFP stated that PG&E would respond to all bidder questions by July 17, 2019. To provide bidders information as soon as possible, PG&E released batches of Question and Answer (Q&A) responses to bidders prior to this date. PG&E posted the master Q&A, which addressed all but six of the 280 bidder questions received, on July 18, including additional supporting documents to address information gaps that were identified through the Q&A process. The final 6 questions were answered the following week.

The IE observed that some of the topics from the RFA stage did not draw many questions in the RFP stage. PG&E received only one question on workforce standards, four on grid resource functions and three on HTR functions sought. PG&E provided greatly improved detail on these topics in the RFP package, which may have reduced bidder confusion.

IEs reviewed and commented on all of PG&E's draft responses. Themes in the types of questions received included questions about the solicitation process, clarifications about treatment of multi-sector bids and many questions about NMEC and CETs.

## 4.3 SOLICITATION DESIGN ASSESSMENT

In considering all end use sectors and leaving it to the market to offer expansive programs, budgets and savings to cross multiple sectors, fulfill single sector goals and/or address the needs of a niche market, the solicitation design adequately met the program portfolio "need" as presented in the IOU-approved Business Plan, Solicitation Plan, EE energy saving goals and applicable portfolio/sector metrics.

The solicitation was conducted in accordance with CPUC requirements as a two-stage process, with robust IE engagement and regular coordination with the PRG on all aspects of the solicitation.

## 5. RFA AND RFP DESIGN AND MATERIALS

### 5.1 RFA DESIGN REQUIREMENTS AND MATERIALS

The RFA materials were well-designed, and clearly articulated the purpose, goals and requirements of the solicitation. While some of the policy information and definitions reflected in the General Instructions are inherently complicated, the RFA structure was intuitive and instructions about information being requested from bidders was easy to understand.

The amount of information requested in the RFA was intentionally minimized and did not overburden bidders. This reflected PG&E's commitment to the purpose of the RFA stage, which they saw as simply an opportunity to identify promising EE program designs by qualified third party bidders, who would then be invited to submit full details in a proposal for evaluation in the RFP stage. The information requested from bidders was sufficient to support effective evaluation and selection of abstracts to be invited to RFP.

### 5.2 RFP DESIGN REQUIREMENTS AND MATERIALS

The broad approach taken with the solicitation was set at the RFA stage, when PG&E decided to include all sectors, as well as multi-sector programs, and multiple program functions in a single large solicitation to maximize the opportunity and market response. That decision in late 2018 drove complexity into the RFP structure and evaluation process in mid-2019, due to the diversity of types of programs participating and sheer volume of proposals expected.

The solicitation documents were generally well-designed, and PG&E attempted to strike an appropriate balance between obtaining sufficient information without over-burdening bidders. The structure of the documents mimicked the RFA, with General Instructions, a Narrative Response Form and a Data Response Form as the primary materials.

As part of developing the RFP package, PG&E worked with their internal technical leads and IEs proactively to try to improve the quality of bidders' CET submissions and reduce expected bottlenecks in the bid evaluation process. PG&E developed an approach to early CET review, drafted the bidder response template, and prepared and provided CET reference and training materials to bidders as part of the RFP package on PowerAdvocate. The RFP provided clear instructions on how to participate in the voluntary early CET review process and reference materials such as the CET input guide and a measure value picklist.

### 5.3 RESPONSE TO PRG AND IE ADVICE

#### RFA

The IEs and PRG reviewed RFA materials in November 2018. The RFA was issued on November 28, 2018 after significant feedback from the IEs and PRG was incorporated into the final documents. PG&E listened to and addressed IE critiques and recommendations regarding RFA

general instructions and other materials. In response to IE and PRG feedback, PG&E incorporated relevant CPUC decisions, other references and definitions, clarified ineligible program types and better emphasized the importance of outcomes like innovation, deep, comprehensive energy savings and improved cost-effectiveness in the documents.

IEs were concerned that the massive scope of the Multi-sector Solicitation might be too complex or unwieldy for PG&E to manage effectively to completion and communicated this during the RFA review. While PG&E acknowledged and shared this concern, they felt that the potential economies of scale associated with running all local program solicitations together simultaneously in a single Multi-sector RFA/RFP process could reduce both effort and time associated with outsourcing their EE portfolio. PRG and IEs agreed with this approach.

## **RFP**

The RFP instructions and bidder response forms went through extensive review and feedback between PG&E and the IEs in late May and June 2019. PG&E encouraged an ongoing feedback and response process. The IOU held weekly meetings with the IEs to discuss progress in the development of the RFP materials. [REDACTED]

The comment tracker provided to PRG in June 2019 records all IE and PRG feedback on the RFP materials, as well as documenting and confirming PG&E's responses. It includes 183 comments from the five IEs and 15 from PRG members. The PRG RFP Guidelines were published while the RFP package was in process, but still provided a good reference for assuring that PRG interests and concerns were addressed. Virtually all of the feedback and PRG design recommendations were included in the final RFP materials, or had been adequately addressed in some alternative way by PG&E, to the satisfaction of IEs and PRG members.

## **6. BID EVALUATION METHODOLOGY**

### **6.1 BID SCREENING PROCESS**

In the RFA, PG&E reviewed bidder submissions against four threshold screening criteria to determine if they were qualified to be scored: on time, complete, within page limits and within scope of the solicitation. The screening requirements were clearly described in the RFA General Instructions.

In the RFP, PG&E evaluated all submitted bids for completeness and compliance with screening criteria as the first step of review. Screening criteria included that the bid had been successful in the RFA stage and invited to participate in the RFP, that the program proposed was aligned with the abstract that had been selected, that the bidder did not have a conflict of interest due to work as an EM&V consultant to CPUC, and that the bidder was not an IOU affiliate. The screening criteria and process were clearly described in the RFP General Instructions.

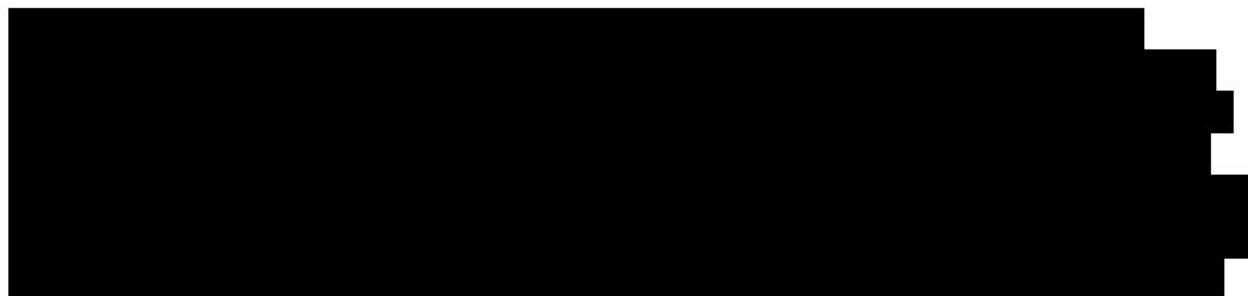
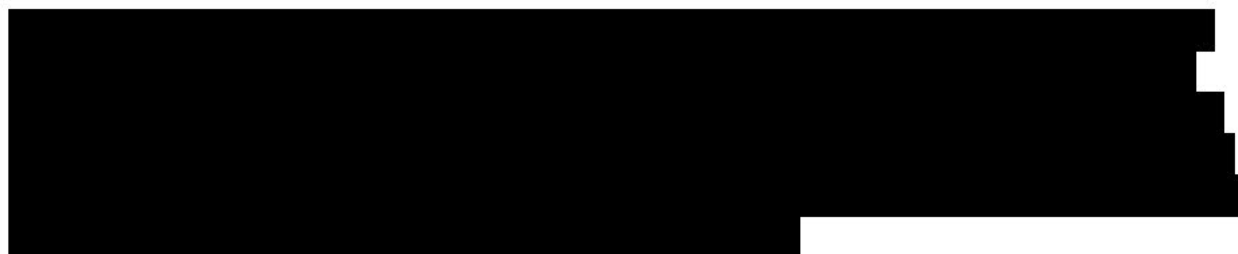


## 6.2 SCORING RUBRIC DESIGN

### RFA

PG&E's primary focus in the RFA was on assessing program design concepts, bidder qualifications and innovation. Assessment of program feasibility and quantifiable benefits were included as scored sub-criteria at the RFA stage, but at a secondary and less detailed level, in anticipation of greatly increased importance for these criteria at the RFP stage. PG&E's needs and approach to scoring were well aligned with CPUC's policy objectives for third party programs and expectations regarding the purpose of the two-stage solicitation process.

Table 6: RFA Scoring Criteria	
Criteria	
<b>Program Concept</b>	
Portfolio Alignment	
Assessment of Program Benefits	
Program Feasibility	
<b>Company Experience and Qualifications</b>	
Team Composition and Qualifications	
Prior Program Implementation Experience	
<b>Innovation</b>	
Innovative Program Design Features	
<b>TOTAL SCORE</b>	



### RFP

PG&E's RFP scoring criteria were broken down into several tiers. The Tier One criteria and Tier Two sub-criteria are shown in Table 4.2. In addition to the standard program function of EE savings acquisition, HTR/DAC and Grid Resource were optional program functions sought in the

solicitation. Bids including these optional functions, also received additional scores, with modified criteria weightings to reflect the merit of these proposals as HTR/DAC or Grid Resource programs.

Table 7 RFP Scoring Rubric		
Tier 1 Criteria	Tier 2 Criteria	
Program Design	Design, Theory & Evaluability Customer Acquisition & Outreach Innovation IDSMS Program Features	
Program Benefits	Cost Effectiveness Energy Savings	
Program Feasibility	Program Management & Risk Savings Measurement Compensation & Performance Compliance Requirements	
Grid Resource Design	Grid Resource Program Design	
HTR/DAC Design	HTR Program Design DAC Program Design	
Company Qualifications	Implementer Team Qualifications Prior Implementation Experience	
Supply Chain Responsibility	Diverse Supplier Sustainability Plan	

The scoring rubric and weightings were carefully developed, reviewed and applied in the scoring and calibration process. The scorecard criteria and sub-criteria and weightings assigned balanced PG&E's needs with CPUC priorities and were in alignment with PRG guidelines. Additional scorecard criteria and sub-criteria were provided partway through the development of the scoring rubric. While some IE and PRG recommendations suggesting reorganization of some of the scored sub-criteria or slightly altered weightings were not accepted by PG&E, there was general agreement that all relevant sub-criteria were being considered appropriately and IE and PRG members agreed to the final scorecard.

Responding to prior IE feedback from the RFA stage and their own continuous improvement efforts, PG&E developed most of the scoring rubric in parallel with the RFP materials. This

ensured that nothing was requested from bidders that was not going to be evaluated. IEs observed that, if anything, PG&E may not have requested enough information to effectively assess some criteria, and recommended requesting more detail on program budget, payment terms, and CET assumptions in negotiations and as part of the RFP in future solicitations.

PG&E designed the scoring rubric and methodology to enable consistent scoring of this multi-sector, multi-function RFP. The evaluation method worked equally well for all programs submitted, regardless of technologies, platforms, measure types, markets served or other unique program characteristics.

### 6.3 EVALUATION TEAM PROFILE

#### RFA Score Team

For the RFA, PG&E recruited an internal Score Team composed of six managers representing all sectors and cross-cutting EE planning or policy roles. Each RFA Score Team member evaluated all abstracts.

PG&E provided a session of training, which was attended by most Score Team members, and met one on one with those who could not participate or were not able to attend the entire session. The agenda included information on the overall solicitation objectives and on the RFA objective, process and document structure. Score Team roles and responsibilities were conveyed, with emphasis on conflict of interest policies, reducing individual bias in scoring, and instructions to prevent sharing of sensitive information between IOU staff and existing Program Implementers. PG&E provided an overview of the scoring criteria and conveyed other expectations and best practices for effective individual scoring.



Just after beginning individual scoring, one score team member notified the solicitation team that they were leaving employment with PG&E and had accepted a position with an EE Implementer. While not a prime bidder in this solicitation, the future employer was a subcontractor included on multiple abstracts. The PG&E solicitation team immediately cut off this individual's access to any solicitation materials and they were removed from solicitation discussions or communications. No scores from this individual were accepted or used in scoring. IEs and the PRG were informed about the actions taken to isolate any influence of this individual on the scoring process and agreed with these decisions.



Table 8 RFA Score Team		
Position Title	Position Role	Area Scored
[REDACTED]		

### RFP Score Team

For the RFP, in addition to sector-specific program staff, PG&E recruited many other internal subject matter experts to evaluate and score specific criteria or sub-criteria, as reflected in Table 9. The roster of PG&E employees who scored was extensive. Program Leads focused on evaluating proposals relevant to their sector across multiple criteria. In addition, criteria-specific subject matter experts reviewed every proposal submitted, but only scored the sections related to their area of expertise, e.g., IDSM, CET, NMEC, Custom, Deemed.

[REDACTED] IEs observed that PG&E scorers demonstrated diligence and care in their assigned scoring and calibration meetings, and that scorers appreciated the approach taken, as it reduced their review time. [REDACTED]

PG&E held three half-day scoring team training sessions to ensure that each scorer could attend one session, and included a mock proposal scoring exercise. It can be a significant effort to prepare a mock proposal that is adequate for review and scoring in training. [REDACTED]

[REDACTED] The training was sufficient for getting the team members to generally understand the approach to this complex scoring process. Code of conduct rules were made very clear to all scorers, particularly as it relates to their day to day communications

with implementers of existing programs who are also bidding on new programs. There were no conflict of interest violations or issues.

Table 9 RFP Score Team		
Position Title	Position Role	Area Scored

Table 9 RFP Score Team

Position Title	Position Role	Area Scored
[REDACTED]		

#### 6.4. RESPONSE TO PRG AND IE ADVICE

##### RFA

The RFA scoring rubric with primary criteria and associated weightings were reviewed by IEs and PRG and finalized by PG&E along with the RFA package in November 2019.

[REDACTED]

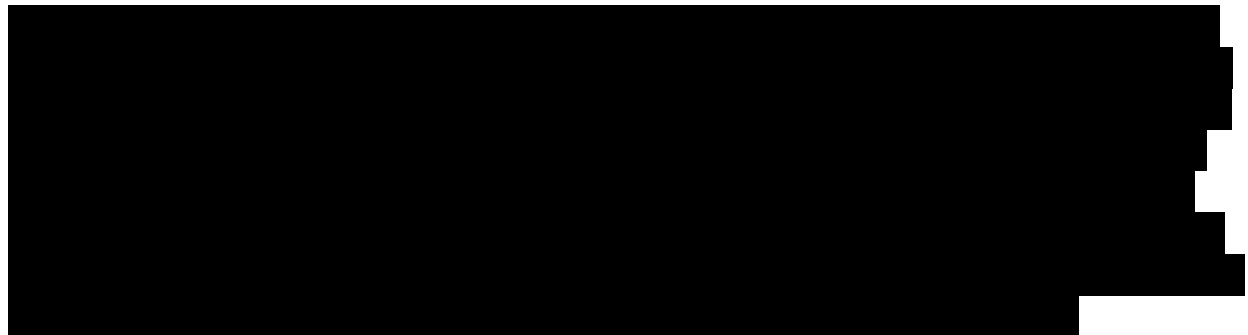
Following publication of the RFA, PG&E used the approved scoring rubric as the basis for developing the final scorecard (a spreadsheet) that would be used by the Score Team members in individual scoring. The scorecard was discussed at PRG meetings in December 2018 and January

2019. IE and PRG feedback regarding the bid evaluation methodology included general consensus on scorecard design principles for this solicitation, which PG&E agreed with and incorporated.

- Scorecard should align with the information requested of bidders (in published RFA Narrative and Data forms, General Instructions).
- Scorecard should include sufficient information and clear guidance (such as background information and criteria definitions) to enable independent, consistent scoring among individual reviewers.
- Scorecard should utilize scaling that is consistent and criteria that support distinguishing the qualities in the bid that are most essential to a program's ultimate success.
- Language in criteria definitions must be sufficiently universal to allow for fair evaluation of many different types of programs sought through this multi-sector, multi-function solicitation.
- Sub-criteria should be few (3-5 items) and should not increase the complexity of scoring for reviewers.

## RFP

The RFP bid evaluation methodology was discussed at PRG meetings in June, July, and August 2019. While some process details were not finalized until just before scoring began, IEs and PRG recognized and appreciated PG&E's complex, yet thoughtful approach.



## 7. BID EVALUATION AND SELECTION

### 7.1 CONFORMANCE WITH ESTABLISHED EVALUATION PROCESSES

#### Screening for Non-conforming Bids

PG&E identified non-conforming bids according to their established and published bid screening criteria. PG&E's overall position on screening out bids was inclusive, in bidders' favor, and if there was any doubt about eligibility, they chose to score bids. Bids screened out were clearly, unequivocally non-conforming according to the published General Instructions for the RFA and RFP. It would not have been fair to other bidders to allow them to proceed in the competition.

In the RFA, PG&E reviewed bidder submissions against four threshold screening criteria to determine if they were qualified to be scored: on time, complete, within page limits and within scope of the solicitation. Out of 170 abstracts submitted, 10 were determined to be non-conforming. 4 of these were simply duplicate submissions of abstract packages, where the duplicate was removed. Others provided incomplete submissions (2) or exceeded page limits (3).

None of the non-conforming bids included Industrial EE

In the RFP, PG&E evaluated all submitted bids for completeness and compliance with screening criteria. Screening criteria included that the bid had been successful in the RFA stage and invited to participate in the RFP, that the program proposed was aligned with the abstract that had been selected, that the bidder did not have a conflict of interest due to work as an EM&V consultant to CPUC, and that the bidder was not an IOU affiliate. Out of 77 proposals submitted, only 3 were determined to be non-conforming.


### Evaluation of Submitted Abstracts

After screening, there were 160 abstracts to be evaluated by the Score Team. 47 of these indicated that 10% or more of their program budget was associated with Industrial EE. 20 were solely Industrial programs, targeting the entire sector or specific sub-sectors such as Food Processing, Manufacturing and Oil & Gas Production.

**Table 10: Number of Abstracts Evaluated by Sector**

	Abstracts Submitted	Non-conforming	Abstracts Scored	Abstracts w/ Industrial EE
Agricultural	12	1	11	2
Industrial	21		21	20
Commercial	57	4	53	7
Public	15	1	14	
Residential	43	4	39	1
Multi-sector	22		22	17
<b>Total</b>	<b>170</b>	<b>10</b>	<b>160</b>	<b>47</b>

PG&E performed their evaluation of abstracts using the established scoring criteria and processes described in the previous section of this report, with no deviations. Individual scoring was performed by the 5 members of the Score Team, who were given sufficient time to review all 160 abstracts.



Following individual scoring, the scoring calibration process conducted by the PG&E solicitations team was well managed and effective for discussing the basis for outlying scores and resolving differences in reviewer understanding and application of the scoring criteria. Scorers came well-prepared each day and were highly and thoughtfully engaged in the 2.5 days of meetings. Calibration supported open and honest conversations on the assumptions and observations underlying individual scores.

The integrity of the process was upheld throughout the review and scoring phase. Reviewers who thought they had missed or misunderstood something in their individual review were invited to change their score if they thought it was appropriate, but there was no pressure. The independence of reviewers was established, reinforced and maintained.

During PG&E's individual scoring period, IEs also reviewed and evaluated all abstracts that included their assigned sector, using the same scorecard and methodology. IE scores and scoring notes were not counted in the final weighted scores or rankings of bids but were collected by PG&E and included in calibration discussions. Having detailed knowledge of the bids being discussed and experience applying the scoring rubric allowed IEs to better monitor the scoring and calibration process and informed IE feedback about the bid evaluation methodology and its implementation to PG&E and the PRG.

### **Evaluation of Submitted Proposals**

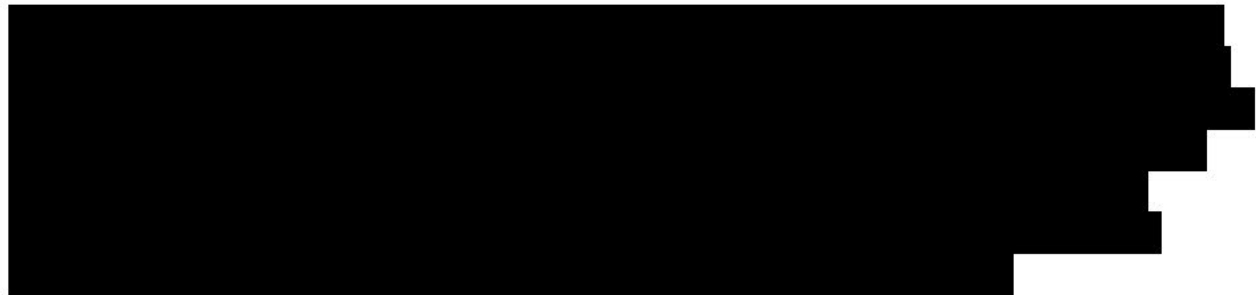
PG&E conducted the RFP scoring and calibration in conformance with its established criteria and process, with one exception related to quality of submitted CETs and remedies that had to be applied, which are described below.

Individual scoring in mid-August through early September of 2019 was followed by scoring calibration meetings in mid-September. PG&E held separate calibration meetings by sector and scoring criteria category (e.g., Savings Platform, CET, M&V, etc.). The meetings involved relevant members of the PG&E scoring team and were well managed, coordinated and facilitated by PG&E staff. All IEs were invited to attend all meetings relevant to their assigned sectors. There were 74 conforming bids scored across multiple sectors, with 26 of these including Industrial EE.



Table 11: Number of Proposals Evaluated by Sector				
	Proposals Submitted	Non-conforming	Proposals Scored	Proposals w/ Industrial EE
Agricultural	9		9	4
Industrial	14		14	14
Commercial	30	2	28	8
Public	9		9	
Residential	15	1	14	
Total	77	3	74	26

The only issue that surfaced during the evaluation process was the challenge of accurately scoring program benefits based on the CETs submitted by bidders. Despite the CET training provided and the inclusion of a voluntary early CET Review process, PG&E technical reviewers of CETs submitted with proposals found that the overall quality of the CET submissions was inadequate, and that no bidder had provided a well- executed CET. The most common input errors included incorrect measures codes, load shapes, climate zones, Effective Useful Life (EUL)/Remaining Useful Life (RUL), and baseline usage.



## 7.2 MANAGEMENT OF DEFICIENT BIDS

To ensure fairness, PG&E did not take any actions to rectify deficiencies associated with individual bids during the evaluation process in either the RFA or RFP. Bids were screened out or scored based on what was submitted.

### 7.3 SHORTLIST AND FINAL SELECTIONS

Table 12 Number of Proposals Advanced at Each Stage of Selection						
	Abstracts Received	RFA shortlist	Proposals Received	RFP Shortlist Invited to Phase 1 Negotiations	Active Phase 2 Negotiations (Wave 1)	Final Selection (Wave 1)
Agricultural	12	11	9	4	1	1
Industrial	21	15	14	11	9	2
Commercial	56	33	30	18	2	2
Public	18	12	9	6	4	2
Residential	41	16	14	7	1	1
Multi-sector	22*					
<b>Total</b>	<b>170</b>	<b>87</b>	<b>77</b>	<b>46</b>	<b>17</b>	<b>8</b>

*\*After the RFA stage, bids including more than one sector (Multi-sector) were classified with the dominant sector served, and those that proceeded are included in the dominant sector's counts.*

#### A. CONFORMANCE WITH ESTABLISHED EVALUATION PROCESSES

##### RFA Shortlist

PG&E's objective was to bring a competitive but manageable number of proposals into the RFP for each sector. Immediately following calibration, the solicitation team used the final individual scores and sub-criteria weightings to calculate the final 0-100 total score for each abstract and then rank ordered them by sector. They sought natural breaks in the rankings for each sector to determine a cutoff line for programs on the shortlist and reconvened the score team and IEs to review the ranking and proposed shortlists.

##### RFP Shortlist

Following RFP scoring calibration in September 2019, shortlisting meetings occurred in October 2019, where shortlists were being considered based on the final, weighted total scores and rankings within sectors, as in the RFA.

[REDACTED]

[REDACTED]

Out of 74 proposals scored in all sectors, 46 were shortlisted to participate in Phase 1 negotiations. 11 out of 14 Industrial proposals were invited to Phase 1 negotiations.






## Competitive Negotiations



The Phase 1 Negotiation process started in November 2019 with 46 proposals representing all customer segments and sectors. A primary goal for this phase was to work with bidders to develop more realistic CETs. This allowed PG&E greater confidence in the bidders' CET showings which was a key factor in narrowing the field of bidders that would be invited into Phase 2 Negotiations. PG&E provided bidders reduced budget targets and feedback on the initial CET showings. Bidders then submitted revised CETs incorporating responses to the feedback and budget reductions.

PG&E held CET information sessions with each bidder in early December to provide specific feedback on errors observed in their CET and share information about rescaling budgets. IEs monitored these sessions for each bid in their assigned sectors to ensure that all bidders were treated fairly and consistently, and that information provided was accurate and unbiased. After reviewing the revised CET, PG&E technical reviewers reevaluated the Program Benefits criteria from the RFP and rescored it.

In January 2020, PG&E selected a subset of bidders to advance to Phase 2 of competitive negotiations. PG&E based the selection on final RFP scores after rescored Program Benefits.



For the Industrial sector, CET resubmission and rescored of Program Benefits had resulted in even less differentiation in final scores among most of those in the highly competitive field of Industrial program proposals.



## Final Selection

Five bidders were still in active, competitive negotiations at the beginning of April. The quality of these Industrial proposals had been fairly high, and while the programs had different strengths and weaknesses, outcomes of the Industrial RFP scoring and Phase 1 negotiation process had left these bid all within just a few points of each other, with no natural break in scoring. A primary objective of Phase 2 Industrial negotiations was to better differentiate between them in order to select the finalists, and then negotiate to final contracts.

[REDACTED]

[REDACTED]

PG&E completed negotiations for final Industrial program contracts with the remaining two bidders.

PG&E shared the data and analysis used to make these decisions with the IE, and these aligned with the data exchanges that the IE has been monitoring between the bidders and PG&E. IE monitoring of negotiation meetings and messages confirmed that PG&E treated all bidders in competitive negotiation consistently and fairly.

#### *B. PORTFOLIO FIT*

Assessment of portfolio fit was focused at the sector level. In preparation for Phase 2 negotiations, PG&E mapped proposed new programs along with existing programs based on sector, customers served and program interventions. PG&E gathered the primary forecasted attributes of new programs and existing programs for program year 2021, including TRC/PAC, annual net benefits, annual net savings and annual budget.

Before and during negotiations, PG&E performed a program analysis by sector, where for each program mapping, they made recommendations for new and existing programs based [REDACTED]

As negotiations continued, the bidder's changes to a proposed program's budget, goals or other material attributes were re-analyzed to reflect the updated bid. If analysis showed the sector or portfolio was now falling short of targets, that acted as a prompt for PG&E to re-engage that bidder and other bidders in negotiation in the sector to counter-offer and allow them to meet PG&E portfolio goals. Through these types of iterations, different bidders pulled ahead or fell back in negotiations.

In addition to this analytic approach to optimizing the portfolio, recommendations made were heavily affected by three over-riding requirements:

- Meeting aggressive third-party program outsourcing targets in the near term

- The definition of third party programs as designed by third parties, which did not apply to most of the existing PG&E EE portfolio
- The need to rescale program budgets in alignment with a recently approved, significantly reduced EE budget available.

### *C. RESPONSE TO PRG AND IE ADVICE*

#### **RFA Selection**

The IEs found the shortlisting process to be fair and transparent and generally agreed with the draft shortlist recommendations, [REDACTED]

As part of its final analysis, PG&E incorporated feedback from the PRG and IEs [REDACTED]

The PRG and IEs considered the shortlists to be fairly and appropriately drawn.

#### **RFP Selection**

At the October 2019 PRG meeting, PG&E presented the proposed RFP shortlist with their plan for a first phase of contract negotiations (Phase 1 Negotiations) that focused on improving and refining bidder CETs and rescaling program budgets to be more realistically in line with recently approved, reduced IOU EE goals and budget. The IEs confirmed review and support for PG&E's CET review process and shortlists, and with further input from the PRG, PG&E proceeded with the proposed shortlist

#### **Phase 1 Negotiations Selection**

At the January 2020 PRG meeting, PG&E proposed to move into a first wave of Phase 2 Negotiations with bidders in the Industrial, Agricultural, and Public sectors. IEs for these sectors were supportive of PG&E's Phase 2 selections and recommended next steps, but due to PG&E's

ongoing competitive approach to negotiations, noted the need for information about how PG&E would be making final selection. PRG members understood what PG&E was recommending and why and did not have objections or issues with what PG&E had proposed.

### **Phase 2 Negotiations Final Selection**

IEs requested to review the selection criteria or factors that PG&E would be assessing to make final selection decisions. As previously discussed, this was particularly relevant for the Industrial sector, due to the high number of bidders in competitive negotiations. [REDACTED]

[REDACTED]

[REDACTED]

GWE monitored more than 60 hours of negotiation meetings and bidder communications via PowerAdvocate in March and April 2020. PG&E ensured that the IE had access to all the same information that they did and enabled monitoring of all steps, decisions and actions taken during the process. There were multiple iterations of changes to bidder proposals and managing version control and data quality could have been a challenge. GWE confirmed that the IOU was using the correct data provided by bidders when using this data to inform decisions about final selection. Overall, GWE observed careful, consistent and fair treatment of all bidders in Industrial negotiations.

### **7.4 AFFILIATE BIDS AND CONFLICT OF INTEREST**

No affiliate bids were received in the solicitation. Bidders were required to identify if they were a PG&E affiliate in the Data Response Form. PG&E checked the information submitted as one of the bid screening criteria in the RFP.

There was no conflict of interest identified with any PG&E employee involved in the solicitation. PG&E consistently communicated the definition and importance of this topic to score team members and other staff involved in the solicitation.

## **8. ASSESSMENT OF SELECTED BIDS**

Four down-select processes are described in the sections above. At each step, PG&E's decisions about which bids to advance were transparent to and responsive to feedback from the IE and PRG. For Industrial, the decisions appeared to be consistent and reasonable given the process followed

and quality of bids in contention for contracts. For the RFA and RFP, scoring and selection was based on the final scoring rubric and bid evaluation methodology that had been reviewed with the IEs and PRG. During negotiations, PG&E focused on the same criteria, firming up the most important attributes of EE resource acquisition programs and considering how these attributes contribute to PG&E's portfolio targets in order to derive final selection decisions.

## 8.1 BID SELECTIONS RESPOND TO PORTFOLIO NEEDS

PG&E negotiated to final contract with two Industrial bidders, with each program serving two of the four Industrial subsectors. If approved, these programs, along with two ongoing, core Industrial SEM programs, would be PG&E's Industrial EE portfolio.

By selecting third-party designed Industrial EE programs that are cost-effective, innovative and performance based, these final selections meet the IOU's published solicitations needs. Both programs are well-aligned with the IOU's goals and creatively employ market strategies that were emphasized in PG&E's Business Plan for Industrial EE.

PG&E is submitting a separate Advice Letter seeking CPUC approval of each of these contracts. The remainder of this report specifically focuses on Cascade Energy's Industrial Systems Optimization Program, which serves the Food Processing and Manufacturing sub-sectors. Cascade Energy's Industrial Systems Optimization Program (ISOP) for Food Processors and Manufacturers CLEAResult's Business Energy Performance program (BEP) serving Petroleum and Chemicals and Minerals subsectors is addressed in a separate Final Solicitation Report.

## 8.2 BID SELECTIONS PROVIDE BEST OVERALL VALUE TO RATEPAYERS

Based on final contract terms negotiated and program characteristics, Cascade Energy's ISOP program provides best value to ratepayers compared to the competitive bid pool of Industrial programs that were not selected.

As previously described, the Industrial contracts selected from among the competitive bid pool are those that scored well on the evaluation criteria during the RFA and RFP phase. The finalists selected maintained or improved their standing amongst the competing pool of bids in negotiation after requested revisions to the proposed programs and PG&E's reassessment of changes proposed. Most of the established bid evaluation criteria are related to or representative of ratepayer value. By developing these criteria, the solicitation was designed specifically to identify and select the programs with the best overall value for ratepayers. By applying the criteria consistently in their bid evaluation and selection processes, the outcome was consistent with this intention.

Following selection of the two finalists in late April, PG&E requested that CLEAResult and Cascade Energy make a final round of changes to reflect re-scaled programs serving dedicated industrial sub-sectors. The finalists were also given the full set of PG&E contract templates to respond to and invited to make further changes to their proposals to reflect the full scope and terms in those

contracts,

### NPV of Net Life-cycle benefits

#### Comparison of ISOP with the existing PG&E Industrial and Agricultural Portfolio

The ISOP program will serve Manufacturers and Food Processors. While Manufacturers have historically been served by the Industrial sector, Food Processors were formerly part of the Agricultural EE portfolio. So, PG&E is replacing current core Industrial and Agricultural programs with the new, third party ISOP program.

It is important to note that most of PG&E's current Industrial portfolio was already saving energy cost-effectively prior to the solicitation. Improving cost-effectiveness of the portfolio was a critical objective of the Multi-sector solicitation overall, and other sectors that had been less cost-effective were the primary opportunity for this improvement, including Agricultural.

For Industrial, the solicitation addressed the outsourcing requirement to transition from core IOU programs to programs designed and implemented by third parties, along with associated third party program goals of decreasing ratepayer risk and increasing program innovation. Realizing these improvements while maintaining the cost-effectiveness of the current Industrial portfolio would be a success.

To help GWE consider the program's relative cost-efficiency compared to the current portfolio of similar programs serving these customers, PG&E provided the following snapshot of information

about the current, most comparable Agricultural and Industrial program portfolios<sup>3</sup>.

[REDACTED]

[REDACTED]

[REDACTED]

### Comparison with other 3P Contracts Executed in Multi-Sector Negotiations

PG&E performed simple analysis of lifecycle acquisition costs on a \$/MMBtu basis for each of the eight executed contracts. Average lifecycle acquisition cost across the set of contracts submitted for CPUC approval in the first wave was [REDACTED] MMBtu, when all programs were assumed to achieve 100% of forecasted gas and electric savings as modelled in the CET and documented contractually.

[REDACTED]

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<sup>3</sup> PG&E removed six programs from 2019 Industrial claims for purposes of this comparison because they were not active programs and had negative/ minimal TRC costs, typically due to remaining customer commitment payments.

[REDACTED]

<sup>5</sup> PG&E administrator costs are included in the 2019 claims data, but are not modelled or included in the new program forecast data from the CET. If PA costs were allocated to the forecast, that would further reduce the realized net benefits and TRC for the new program by some modest amount.



### Alignment with California Policy Objectives

- **TRC:** Program TRC of [REDACTED] helps PG&E meet overall portfolio target >1.25
- **Deep and persistent savings:** Program design and innovations drive deep and persistent savings in Industrial processes and building systems
- **Balance of risk in compensation structure:** [REDACTED]
- **Energy savings goals** are reasonably well aligned with the current industrial market potential<sup>6</sup>. The scale of the program was capped when PG&E's reduced the budget available for all EE programs in response to publication of the new potential study and lower goals.
- **Savings come** [REDACTED] **from viable custom measures** that are appropriate for the industrial markets targeted. [REDACTED]  
[REDACTED] Savings as modeled in the CET are in alignment with CPUC M&V rules.

## 9. REASONABLENESS OF CONTRACTING PROCESS

### 9.1 COLLABORATION ON FINAL PROGRAM DESIGN AND SCOPE

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>6</sup> 2019 Energy Efficiency Potential and Goals Study, Navigant, July 1, 2019

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## 9.2 FAIRNESS OF NEGOTIATIONS

Between February 19th and April 11th, GWE monitored 27 contract negotiation meetings with 5 Industrial bidders in Phase 2 negotiations. Between April 24th and May 15th, GWE monitored 15

contract negotiation meetings with the two finalists. Throughout the negotiations process, the IE monitored all messages and information exchanged between PG&E and bidders via PowerAdvocate.

### **Bidders' Uncompensated Effort in Negotiations: High but Fair**

PG&E's negotiation process from December 2019 – April 2020 was labor and time intensive for all parties, but these processes were executed fairly and consistently with all bidders in active negotiations at the time. [REDACTED]

PG&E developed and introduced a preferred performance compensation structure in Phase 2 negotiations to support comparison and final selection and to provide a basis for contracting. [REDACTED]

PG&E was developing and refining their contract templates during negotiations, including this payment structure and the data form designed to document it, so there were also multiple rounds of edits and revisions for bidders to respond to, adding even more uncompensated effort. Now that contract templates have been developed in this first third party solicitation, going forward PG&E should review and refine contract templates after the RFA stage for a solicitation and include the performance compensation structure or whatever will be used as the basis for contracts in the data form as the structure for Implementer cost proposals at the RFP stage.

Much of this additional effort in negotiations happened prior to final selection of programs and the development of full contracts. Once the two finalists were selected in late April, the path to finalizing contract terms was straightforward and negotiations with Cascade Energy proceeded quickly. Through productive discussions in 8 bi-weekly meetings and rapid response to IOU requests, negotiation of final draft contracts and all terms were concluded within 4 weeks.

### **No Evidence of Bias in Negotiations**

There was no evidence of positive or negative bias towards any Industrial bidder in negotiations. PG&E was structured and disciplined in engaging with all bidders. All in active negotiations were given the same information about the process, budget available and PG&E preferences. All were provided the same opportunities to review and revise their proposals. PG&E consistently applied a data driven, analytic approach to assessing revised offers from all bidders before selecting finalists and negotiating a contract with Cascade Energy.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### 9.3 CHANGES TO CONTRACT TERMS & CONDITIONS

CPUC standard terms are unmodified in the final contract and other IOU terms do not supersede the standard terms.

The CPUC modifiable terms and conditions were modified just slightly by PG&E, to fill in contract or program-specific blanks that were included in the terms and as needed to clarify but not to change the meaning or intent of the CPUC term. For example, PG&E added a sentence defining what a KPI is just before including the CPUC's contract term associated with KPIs, which is unmodified. PG&E also inserted references to particular PG&E contract documents and attachments into modifiable terms as appropriate. The contract templates were reviewed by PRG and used as the basis for final contracts. There were no material changes to CPUC modifiable terms proposed by either PG&E or the Implementer during negotiations.

### 9.4 CONFORMANCE WITH CPUC POLICIES AND OBJECTIVES

#### **ISOP Incentive Design Aligns with CPUC Incentive Guidelines**

The ISOP customer-facing incentive design (documented in Att 2 of the contract) is well-aligned with CPUC incentive best practices and does not appear to deviate from them. Incentive design was a strength in the proposal. Cascade's proposed custom incentives scale along with average measure life by measure type in order to reflect lifecycle savings contributions of these measures. This forms the basis for an effective yet simple custom incentive design, appropriate for customer facing outreach and influencing investment decisions. The base incentive design appears to be practical and administrable.

[REDACTED]



### Innovation in the ISOP Program



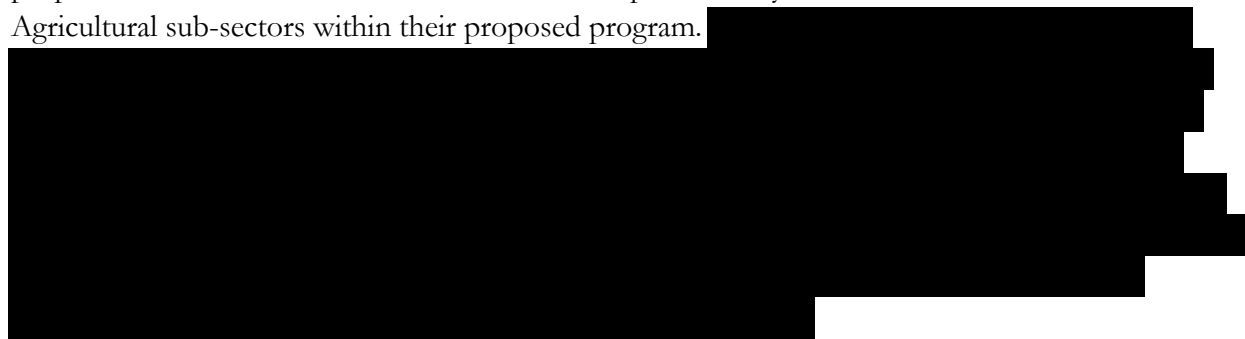
#### Contract Executed On-Time to Count Towards 25% Outsourcing Target

In a letter dated November 5, 2019, PG&E requested an extension to June 30, 2020 to meet the 25 percent requirement to allow for sufficient time for a detailed and thoughtful contract negotiation stage for its Local Multi-Sector Request for Proposal (RFP).

In November 2019, the CPUC granted PG&E's request for extension of time to meet the 25 percent threshold by June 30, 2020<sup>4</sup>. PG&E completed contract negotiations and executed the agreement with Cascade Energy on June 22, 2020.

#### 9.5 UNIFORMITY OF CONTRACT CHANGES

During contract negotiations, information and options were made available to all bidders consistently and fairly, but not uniformly, as bidders' proposals in the Multi-sector solicitation were not uniform in scope or scale. Some had proposed to serve specific sub-sectors, while others proposed to serve the entire Industrial sector comprehensively and others included Commercial or Agricultural sub-sectors within their proposed program.



# **Public Attachment B**

## **Energy Efficiency Third-Party Solicitation Advice Letter**

### **Program-Level Measurement & Verification Plan**

## **Attachment B: Program-Level & Measurement & Verification Plan**

There are no contracted programs calling for an exception to Normalized Metered Energy Consumption (NMEC) rules.



# **PACIFIC GAS AND ELECTRIC COMPANY**

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## **PART 2 CONFIDENTIAL VERSION**

July 30, 2020

# **Confidential Appendix A**

## **Energy Efficiency Third-Party Solicitation Advice Letter**

### **Final Independent Evaluator Report (Confidential)**



# **Confidential Appendix B**

## **Energy Efficiency Third-Party Solicitation Advice Letter**

### **Solicitation Process Overview (Confidential)**

# **Confidential Appendix C**

## **Energy Efficiency Third-Party Solicitation Advice Letter**

### **Selection Spreadsheet (Confidential)**

# **Confidential Appendix D**

## **Energy Efficiency Third-Party Solicitation Advice Letter**

### **Third-Party Contract Summary (Confidential)**

# **Confidential Appendix E**

## **Energy Efficiency Third-Party Solicitation Advice Letter**

### **Third-Party Contract (Confidential)**

**PG&E Gas and Electric  
Advice Submittal List  
General Order 96-B, Section IV**

AT&T	Downey & Brand	Pioneer Community Energy
Albion Power Company	East Bay Community Energy	Redwood Coast Energy Authority
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Regulatory & Cogeneration Service, Inc.
	Energy Management Service	SCD Energy Solutions
Alta Power Group, LLC	Engineers and Scientists of California	
Anderson & Poole		
Atlas ReFuel	GenOn Energy, Inc.	SCE
BART	Goodin, MacBride, Squeri, Schlotz & Ritchie	SDG&E and SoCalGas
Barkovich & Yap, Inc.	Green Power Institute	SPURR
California Cotton Ginners & Growers Assn	Hanna & Morton	San Francisco Water Power and Sewer
California Energy Commission	ICF	Seattle City Light
California Public Utilities Commission	IGS Energy	Sempra Utilities
California State Association of Counties	International Power Technology	Southern California Edison Company
Calpine	Intestate Gas Services, Inc.	Southern California Gas Company
	Kelly Group	Spark Energy
Cameron-Daniel, P.C.	Ken Bohn Consulting	Sun Light & Power
Casner, Steve	Keyes & Fox LLP	Sunshine Design
Cenergy Power	Leviton Manufacturing Co., Inc.	Tecogen, Inc.
Center for Biological Diversity		TerraVerde Renewable Partners
		Tiger Natural Gas, Inc.
Chevron Pipeline and Power	Los Angeles County Integrated	TransCanada
City of Palo Alto	Waste Management Task Force	Troutman Sanders LLP
	MRW & Associates	Utility Cost Management
City of San Jose	Manatt Phelps Phillips	Utility Power Solutions
Clean Power Research	Marin Energy Authority	Water and Energy Consulting Wellhead
Coast Economic Consulting	McKenzie & Associates	Electric Company
Commercial Energy		Western Manufactured Housing
Crossborder Energy	Modesto Irrigation District	Communities Association (WMA)
Crown Road Energy, LLC	NLine Energy, Inc.	Yep Energy
Davis Wright Tremaine LLP	NRG Solar	
Day Carter Murphy		
Dept of General Services	Office of Ratepayer Advocates	
Don Pickett & Associates, Inc.	OnGrid Solar	
Douglass & Liddell	Pacific Gas and Electric Company	
	Peninsula Clean Energy	