

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.¹ 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

¹ 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).

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 29, 2020

Advice 4282-G/5892-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") Smart Labs program, executed between kW Engineering, 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 kW Engineering 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, 2019¹,

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

at least 40 percent by 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

	Contents, Attachments, and Appendices	Part 1 Public	Part 2 Confidential
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*****

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than August 18, 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, 4th 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 28, 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) #: 4282-G/5892-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") Smart Labs program, executed between kW Engineering, 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:

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

Resolution required? ☐ Yes ☒ No

Requested effective date: 8/28/20

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 proposed¹: N/A

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

¹Discuss in AL if more space is needed.

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

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

Name: 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

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 4282-G/5892-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 4282-G/5892-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 29, 2020, at San Francisco, California.

/s/
Matthew Braunwarth

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)
ADVICE LETTER 4282-G/5892-E
July 29, 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
Document: Advice Letter 4282-G/5892-E			
Confidential Appendix A: Independent Evaluator Report of:	<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&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&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&E contract negotiations and ultimately detrimental to PG&E's customers.</p> <p>PG&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&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
Confidential Appendix B: Solicitation Evaluation Criteria Scorecard and Program Savings Summary	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 4282-G/5892-E
July 29, 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&E solicitations and ultimately detrimental to PG&E's customers.</p>	
<p>Appendix C:</p> <p>Multi-sector Solicitation selection spreadsheet – in its entirety</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&E's 2018-2019 PG&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&E solicitations and ultimately detrimental to PG&E's customers.</p>	<p>Three years after CPUC approval</p>
<p>Appendix D:</p> <p>Contract and Contract Terms Summary – in its entirety</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&E and the</p>	<p>Three years after CPUC approval</p>

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)
ADVICE LETTER 4282-G/5892-E
July 29, 2020**

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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
		<p>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.</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&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.</p> <p>Table B1: Table B1 contains program level cost effectiveness measures on an individual level. Releasing this market sensitive information could put PG&E at a competitive disadvantage with regard to other market participants and could detrimental impact PG&E customers.</p> <p>PG&E has redacted market sensitive information. A public version of the Table B1 has been filed with the Advice Letter. PG&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 4282-G/5892-E
July 29, 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
Appendix E: Executed Contracts	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

Approval of kW Engineering Inc – Smart Labs Contract Resulting from Multi-Sector Competitive Solicitation for Local Third-Party Energy Efficiency Customer Programs

PART 1 PUBLIC VERSION

July 29, 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 kW Engineering and PG&E resulting from PG&E's local multi-sector solicitation for local resource EE customer programs.

The Smart Labs Program proposes to serve the Laboratories subsector within PG&E's Commercial 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 \$4.38 million across 4.5 years, the Smart Labs Program will fall within PG&E's 2018-2025 Business Plan annual budget levels approved by the Commission in D. 18-05-041.¹ The contract executed between PG&E and kW Engineering, Inc. was fully executed on June 23, 2020 and contributes 0.45 percent towards meeting PG&E's 25 percent third-party outsourcing compliance 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”² and further defined the term “statewide”.³

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

¹ 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.

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

³ D.16-08-019, p. 109, OP 5.

⁴ 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

intended to implement for competitive solicitations and for building the new EE program portfolio.⁵ On January 11, 2018, the Commission issued D.18-01-004 – Decision Addressing 3P⁶ 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.18-01-004,⁷ 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.18-01-004⁸ 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, 2018.⁹

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.¹⁰ 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

⁵ 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

⁶ Third-Party.

⁷ D. 18-01-004, pgs. 61-62, OP 3-4.

⁸ D. 18-01-004, pgs. 62-63, OP 5.

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

¹⁰ 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

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.¹¹ 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, 2020.¹² 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,¹³ 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

¹¹ 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.

¹² 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.

¹³ 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

specific to each sector for bidders to consider when designing new programs.¹⁴ 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 Plan¹⁵, PG&E's goals for the Commercial sector included saving energy and reducing customer demand for electricity, broadening customer program participation, and increasing the operational efficiencies of the Commercial sector overall. Based on prior program experience in the Commercial sector, PG&E identified the following four strategic interventions to achieve its Commercial sector goals:

- **Data Analytics** to enhance customer targeting.
- **Data Access and Awareness** to facilitate customer understanding of EE and inspire scalable, market-driven program designs
- **Technical Assistance and Tools** to make EE programs and services, easy, accessible, and relevant to customers.
- **Loans, Rebates and Incentives** to mitigate customer cost barriers to EE.

The kW Engineering and 3Flow team incorporate these four intervention strategies into the Smart Labs program design to align with PG&E's future portfolio vision and support the Commercial sector goals of saving energy, increasing customer participation, and improving the cost-effectiveness of the sector in the following ways:

Program Design: The Smart Labs Program focuses on providing participants with the expert assessments needed to allow confidence in setting ventilation rates according to actual needs, resulting in reduced overall ventilation rates and significant energy savings in suitable candidate facilities. Crucially, the program also includes development of a performance management plan for each participating facility to ensure that the systems continue to operate optimally and that changing facility needs are properly managed.

The Smart Labs Program targets energy reductions through a clear process of assessment, planning, and execution. Each lab facility is unique, but the Smart Labs process has proven to be replicable and scalable. The process begins with a brief scoping to determine program fit, with selection based on building characteristics and participant engagement. Once selected, the team follows the Smart Labs Program assessment methodology to develop

¹⁴ 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

¹⁵ PG&E Energy Efficiency 2018-2025 Business Plan, Commercial 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

recommended measures. The program then provides incentives and technical assistance to install and commission the measures.

Finally, the kW Engineering and 3Flow team provides ongoing measurement and verification as well as a tailored lab performance management plan to ensure project success and savings persistence.

Innovative Program Features: To improve program effectiveness and increase customer participation, kW Engineering has incorporated the following innovative features into the Smart Labs Program:

- The program's lab hazard assessments are a technology innovation because although they are no longer "emerging" approaches and are widely understood to be the best approach for setting lab ventilation rates, these assessments are yet not used as a standard practice by the bulk of the industry.
- In addition, Smart Labs provides an innovative delivery approach via the use of lab risk assessments as part of the program. In doing so, it tackles the persistent market barrier of risk aversion on the part of lab owners. This risk aversion is a result of lack of knowledge of safe ventilation rates, which results in the blanket application of overly conservative, wastefully high lab ventilation rates. Previous PG&E incentive programs have not provided such hazard assessments.
- The Smart Labs Program makes use of the new NMEC platform for delivery, pay-for-performance, and Measurement & Verification. NMEC provides tangible benefits to lab operators, PG&E, and California ratepayers.
- A further innovative delivery approach of the Smart Labs Program is the provision of support for development of a lab ventilation management plan. This tackles the persistent market barrier of inadequate management of change regarding lab ventilation rates. Without a lab ventilation management plan in place, ventilation rate changes are often rolled back to their previous higher-than-required levels when space usage changes (a frequent occurrence in many lab facilities). Previous PG&E incentive programs did not provide support for the development of lab ventilation management plans.

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.¹⁶ PG&E has

¹⁶ D. 18-01-004, p. 61, OP 2.

drafted separate advice letters for each contract. The subject of this advice letter is the kW Engineering Inc. – Smart Labs Program contract which is proposing to serve customers in the Commercial sector.

Table A: Contracts Resulting From PG&E's Local Multi-Sector Solicitation			
		Budget^(a) (\$M)	Duration (months)
Agricultural Sector			
1.1	TRC Solutions, Inc. Agricultural Energy Savings Action Plan (AESAP)	\$34.4M	54
Industrial Sector			
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
Commercial Sector			
3.1	kW Engineering Grocery Comprehensive Retrofit and Commissioning (GCRCx) Program	\$5.4M	54
3.2	kW Engineering Smart Labs	\$4.4M	54
Public Sector			
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
Residential Sector			
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 B3.1 General Contract Summary – kW Engineering Smart Labs		
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)	Yes

Table B3.1 General Contract Summary – kW Engineering Smart Labs		
3.2	B. Customer Targeting brief description, if applicable	Commercial and Higher Education Laboratories.
3.3	C. Midstream/Upstream Market Actors receiving incentives (i.e., manufacturers, distributors, contractors, or other (specify)).	N/A
4	Market/Sector(s)	Commercial / Public
5	Customer Segment(s)	Laboratories
6	Third-Party Implementer/Subcontractor name	kW Engineering, Inc. (Prime) and 3Flow (Subcontractor)
7	Name of program or service	Smart Labs
8	Brief description of program or service (2-3 sentences)	Smart Labs is a pay-for-performance program that reduces energy use in laboratories (a high energy end-user customer) by providing what lab owners and managers most need – technical assistance with airflow assessment, risk mitigation, implementation, and long-term performance planning. The Program will utilize the NMEC savings platform.
9	Total kWh Energy Savings (First year, net)	
10	Total MW Energy Savings (First year, net)	
11	Total therms Energy Savings (First year, net)	
12	Hard to Reach (HTR) Customers ¹ . Provide forecasted total number of HTR customer accounts (by customer segment) receiving program and total savings (net first year kWh, kW, and therms) to HTR customers from program over all years program in effect	
13	Disadvantaged Community (DAC) ² 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	
14	Forecasted Number of Customers Served by Program Year	PY2: PY3: PY4: PY5:

Table B3.1 General Contract Summary – KW Engineering Smart Labs

15	Area(s) Served (including service territory, climate zones, cities, and/or counties, as applicable)	All PG&E climate zones, focus in Bay Area (East Bay, South San Francisco, San Jose), Solano County	
16	Program TRC ratio (CET output)	[REDACTED]	
17	Program PAC ratio (CET output)	[REDACTED]	
18	Program \$/kWh (TRC levelized cost, CET output)*	[REDACTED]	
19	Program \$/kWh (PAC levelized cost, CET output)*	[REDACTED]	
20	Program \$/MW (TRC levelized cost, CET output)	[REDACTED]	
21	Program \$/MW (PAC levelized cost, CET output)	[REDACTED]	
22	Program \$/therm (TRC levelized cost, CET output)*	[REDACTED]	
23	Program \$/therm (PAC levelized cost, CET output)*	[REDACTED]	
24	Budget: Forecast budget by program year (PY) for each year contract in effect	PY2020: \$ PY2021: \$ PY2022: \$ PY2023: \$ PY2024: \$ PY2025: \$	[REDACTED]
25	Budget: Forecast expenditures by program year (PY) for each year contract in effect	PY2020: \$ PY2021: \$ PY2022: \$ PY2023: \$ PY2024: \$ PY2025: \$	[REDACTED]
26	Budget: Total Program Budget (include explanation for difference, if any, from total contract budget provided in Table A)	Total	\$ 4,378,800
27	Budget: If EE/DR component to the program, provide dollar amount and percent of total budget dedicated to EE/DR component	100% of budget is for EE only	
28	Measure(s)	[REDACTED]	
29	Savings Determination Type (i.e. custom, deemed, Net Metered Energy Consumption, or Randomized Control Trial)	[REDACTED]	
30	Savings Calculation Method(s) (Meter-Based,	[REDACTED]	

Table B3.1 General Contract Summary – KW Engineering Smart Labs		
	Deemed, Calculated, Multiple and/or Other) If Multiple or Other, please specify	
31	Contract start date and end date	10/01/2020* - 3/31/2025 *Estimated contract start date as CPUC approval required.
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.	

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

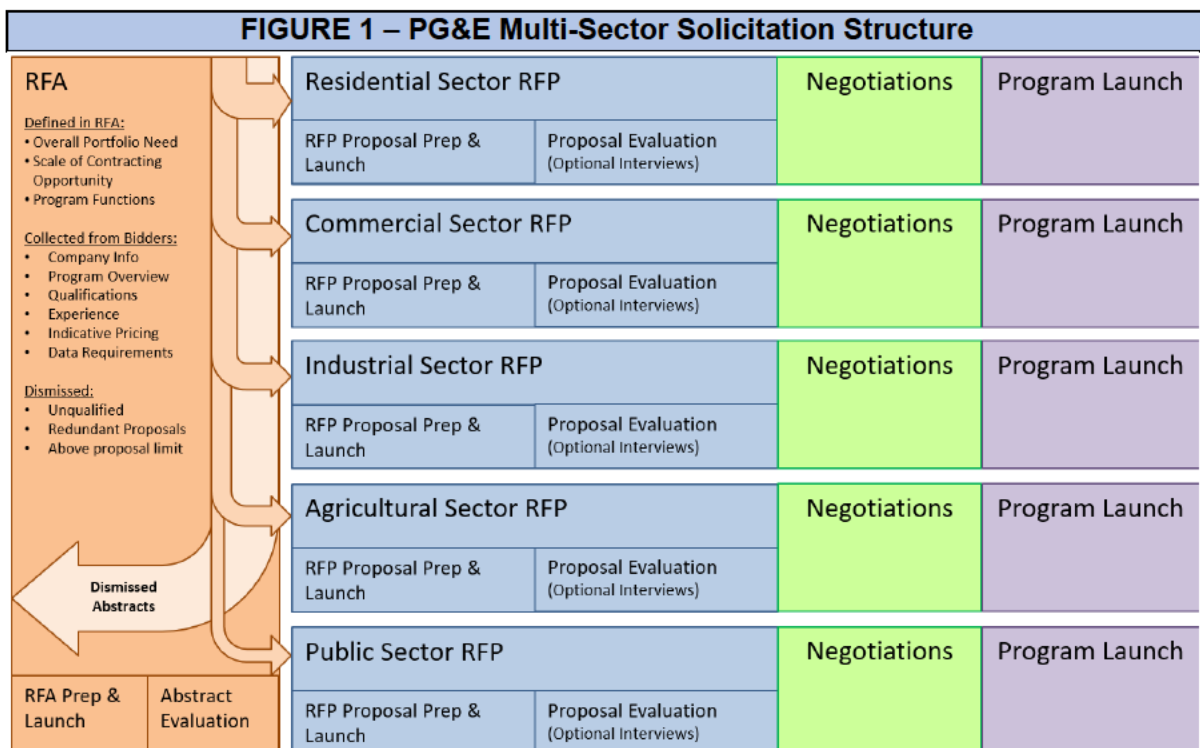
$$** \text{ Levelized PAC Cost (kWh)} = \frac{\sum_{i=1}^n (\text{PACCost}_i * \text{WeightedElecAlloc}_i)}{\sum_{i=1}^n (\text{DiscountedSavingsNetkWh}_i)} \quad \text{Levelized PAC Cost (Therm)} = \frac{\sum_{i=1}^n [\text{PACCost}_i * (1 - \text{WeightedElecAlloc}_i)]}{\sum_{i=1}^n (\text{DiscountedSavingsNetThm}_i)}$$

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.18-01-004,¹⁷ 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*

¹⁷ 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.

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

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*.

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

(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.¹⁸ 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,¹⁹ a complete set of program Cost Effectiveness Tool (CET) output files, team

¹⁸ 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.

¹⁹ 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.

FIGURE 6 – PG&E Multi-Sector RFP Evaluation Criteria	
RFP Scoring Criteria	Sub-Criteria
Program Design	Program Design, Theory & Evaluability ^(a) Customer Acquisition & Outreach ^(a) IDSM Program Features Program Innovation
Program Benefits	Cost Effectiveness Energy Savings
Program Feasibility	Program Management & Risk Compensation & Performance Savings Measurement ^(b) Compliance Requirements
Company Qualifications	Implementer Team Qualifications ^(a) Prior Implementer Experience ^(a)
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
Total	87	10	77	3	74

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.

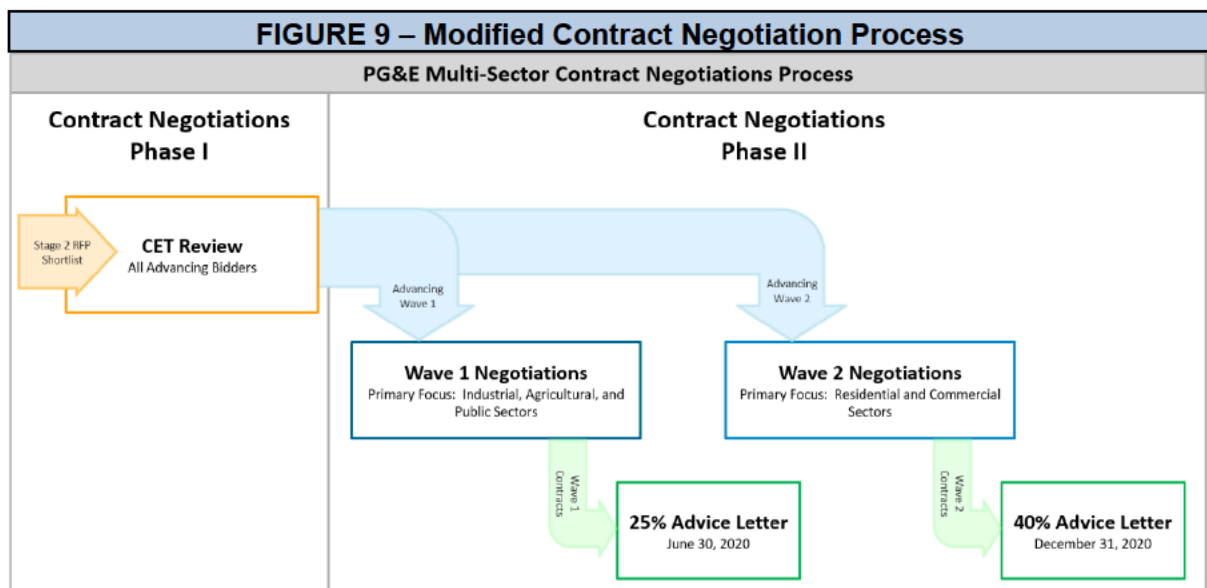
RFP Shortlist: In October 2019, PG&E presented the RFP evaluation process to the PRG and discussed several possible approaches to shortlisting proposals. In light of the concern over CET data, PG&E decided to draft a conservative RFP shortlist and then add an additional step to the contract negotiations 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
Total	77	3	74	46

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 ^(a)
Public	6	1	5
Residential	7	1	6
Commercial	18	3	15
Total	46	7	40

(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.

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

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.²⁰

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.²¹ 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

²⁰ 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

²¹ 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.

FIGURE 12 – Wave 1 Contract Awards					
Customer Sectors	Advance to Phase 2	Advance to Wave 1	Active Negotiations	Negotiation Alternative	Wave 1 Contract Awards
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
Total	40	23	17	6	8

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.

FIGURE 13 – RFA and RFP Solicitation Process Events			
Event	Planned Date	Actual Date	Notes
RFA Material Development Developed solicitation materials, evaluation criteria and definitions, and reviewed by IEs and PRG members.	Fall 2018	Fall 2018	
RFA Issued 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
RFA Pre-Bid Conference 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:
RFA Q&A Deadline Deadline to submit written questions to PG&E in PowerAdvocate.	December 14, 2018	December 14, 2018	Week 3:
PG&E Q&A Response Deadline 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.
Abstract Submission Deadline Abstract submission due date. Registration in PowerAdvocate was required to submit an Abstract to PG&E.	January 14, 2019	January 14, 2019	Week 7:
RFA Evaluation and Scoring Scoring and Calibration Screened 170 and scored 160 abstracts.	January 14 – February 11, 2019	January 14 – February 25, 2019	Week 7 – 13:
RFA Shortlist Finalized	February 11-13, 2019	February 25-26, 2019	Week 13:
RFA Shortlist Presented to PRG	February 26, 2019	February 26, 2019	Week 13:
RFA Shortlist Notification 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).
RFP Material	April 2019	April 2019	Week 18-27:

FIGURE 13 – RFA and RFP Solicitation Process Events

Event	Planned Date	Actual Date	Notes
Development Developed solicitation materials, scoring rubric, scoring elements and criteria and presented to and reviewed by IEs and PRG members.			
RFP Issued 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.
CET Review Support Available to Bidders 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.
RFP Pre-Bid Conference 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.
Early CET Review Deadline 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.
RFP Q&A Deadline 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.
PG&E Q&A Response Deadline 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.
PG&E CET Response Deadline	July 17, 2019	July 24, 2019	Week 35:

FIGURE 13 – RFA and RFP Solicitation Process Events			
Event	Planned Date	Actual Date	Notes
Proposal Submission Deadline 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
RFP Evaluation and Scoring	August 5 - September 27, 2019	August 5- September 23, 2019	Week 37-43: PG&E screened 77 Proposals and scored 74 Proposals
RFP Shortlist Finalized Shortlist to Phase I Negotiations	September 16-27, 2019	October 15, 2019	Week 47: 46 Proposals advanced to Phase 1 of negotiations.
RFP Shortlist Notification 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.
Phase 1 Contract Negotiations 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.
Phase 2 Wave 1 Contract Negotiations Detailed contract discussions		February 2020-May 15, 2020	Week: 63-76: Negotiations concluded
Execute Agreements 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.
Advice Letter 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 Report²² 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

²² "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 Commercial sector to the new third party implemented program kW Engineering Smart Lab 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 Commercial 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 Commercial sector that will partially transition to the new third party implemented programs.

Figure 15: Transition Plan from similar existing PG&E programs serving the Commercial sector to the new third party implemented program.

Figure 15 – Transition Plan				
Transition Plan to New 3P Program	EXISTING COMMERCIAL PROGRAMS			
	PrgID	Program Name	Subprogram Name / Program Common Name	Subject or
Full Replacement by following programs; Commercial sector (laboratories) will be served by new 3P Program in Commercial sector (kW Eng. Smart Labs). Commercial non-labs will be served by Core Calculate program.	PGE210123	Healthcare Energy Efficiency Program	Healthcare Energy Efficiency Program (HEEP)	Healthcare

Figure 15 – Transition Plan				
Transition Plan to New 3P Program	EXISTING COMMERCIAL PROGRAMS			
	PrgID	Program Name	Subprogram Name / Program Common Name	Subject or
Full Replacement by following program; Commercial sector will be served by new 3P Program in Commercial sector (kW Eng. Grocery program).	PGE2101 8	EnergySmart Grocer	EnergySmart Grocer	Grocery / other
Full Replacement by following program; Commercial sector (grocery) will be served by new 3P Program in Commercial sector (kW Eng. Grocery program). Public sector will be served by new 3P Program in Public sector (Willdan K-12 Schools program).	PGE2101 5	Commercial HVAC	Commercial HVAC Optimization Program	Office/Real estate/ retail / other
Full Replacement by following program; Public sector (schools K-12) will be served by new 3P Program in Public sector (Willdan K-12 Schools program).	PGE2101 12	School Energy Efficiency	School Energy Efficiency (SEE)	schools K-12
Not Replaced. The Commercial Calculated incentives program will continue to serve Commercial customers as PG&E transitions the portfolio to 3P design/implemented programs. New 3P programs will be the primary channel for new projects. Commercial Calculated will finish existing projects and will be a secondary program to fill gaps, as needed.	PGE2101 1	Commercial Calculated Incentives	Commercial Calculated	Comprehensive
Not Replaced. The Commercial Deemed incentives program will continue to serve Commercial customers as PG&E transitions the portfolio to 3P design/implemented programs. New 3P programs will be the primary channel for new projects. Commercial Deemed will finish existing projects and will be a secondary program to fill gaps, as needed.	PGE2101 2	Commercial Deemed	Commercial Deemed	Comprehensive
Not Replaced.	PGE2101 2	Commercial Deemed Incentives	Boiler Program	Office/Real estate/ retail / other
Not Replaced.	PGE2101 43	Hospitality Program	Hospitality Program	Hospitality
Not Replaced.	PGE2101 5	Commercial HVAC	Upstream HVAC Distributor Program	Comprehensive
Not Replaced.	PGE2110 25	Savings By Design (SBD)	SBD	Comprehensive

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)



Final Report

Pacific Gas and Electric Company

Local Multi-Sector Energy Efficiency Solicitation Commercial Sector—*Smart Labs*

Prepared by:

EAJ Energy Advisors—Independent Evaluator



July 24, 2020

**Pacific Gas and Electric Company
Local Multi-Sector–Commercial Sector (*Smart Labs*) Final Report**

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1. Background

The Independent Evaluator Final Solicitation Report¹ (Final Report) provides an assessment of Pacific Gas and Electric Company's (PG&E or the Company) third-party energy efficiency (EE) program solicitation process and progress by PG&E's assigned Independent Evaluators (IEs). The Final Report is intended to provide feedback to PG&E and other stakeholders on the Company's energy efficiency program solicitations in compliance with the California Public Utilities Commission (CPUC) direction.²

For the Local Multi-Sector Solicitation report, there are five IEs assigned to monitor and evaluate the solicitation process: one to each sector. These five IEs worked together on general oversight and feedback to PG&E in the RFA and RFP stages, but focused on their individual assigned sectors where applicable in the process (reviewing abstracts, proposals, and tracking negotiations). The IE assigned to each sector is providing a Final Report by sector. This report meets that requirement for a subset of the Commercial market sector.

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

Regulatory Context

In August 2016, the CPUC adopted Decision 16-08-019, which defined a "third-party program" as a program proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator. In January 2018, the CPUC adopted Decision 18-01-004 directing the four California Investor Owned Utilities (IOUs)—PG&E, Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas)—to ensure that their EE portfolios contain a minimum percentage of third-party designed and implemented programs by predetermined dates over 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

¹ This IE solicitation report is an interim report for PG&E's Multi-Sector Local EE Solicitation. The solicitation remains open as PG&E completes negotiations with other bidders to meet its year-end 40% budget threshold for programs designed and implemented by third-party providers. This report provides an overview of the entire solicitation process with a focus on the Commercial market sector for which EAJ Energy Advisors, LLC was assigned specific oversight responsibility as IEs.

² Decision 18-01-004, OPN 5.c.

designed and implemented by third parties by no later than December 19, 2019.

Two Stage Solicitation Approach

The IOUs are required by the CPUC to conduct a two-stage solicitation approach for soliciting third party program design and implementation services as part of the EE portfolio “unless there is a specific schedule-related reason only one stage is possible”³. All IOUs are required to conduct a Request for Abstract (RFA) solicitation, followed by a full Request for Proposal (RFP) solicitation for successful RFA bidders.⁴

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

Each IOU is required to select and use 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. In this role, IEs view all solicitation related materials. Additionally, the IEs are invited to participate in the IOU’s solicitation-related discussions⁵. As noted in Table 1 above, for this local multi-sector solicitation, five IE firms were assigned to the overall multi-sector solicitation, while each IE also focused on a specific sector.

Extension Request

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 RFP.

In November 2019, the CPUC granted PG&E’s request for extension of time to meet the 25 percent threshold by June 30, 2020⁶.

The CPUC further stated that, consistent with D.18-05-041, the IOUs must meet at least 40 percent of their EE portfolios under contract for programs designed and implemented by third parties by December 31, 2020. 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.

³ D.18-01-004, COL 5

⁴ Decision 18-01-004, p. 31.

⁵ IEs were required to sign Non-Disclosure Agreements to prevent the release of confidential solicitation and bidder information to unauthorized persons or entities.

⁶ 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.

2. Solicitation Overview

2.1 Overview

Rather than conduct multiple solicitations targeting individual market sectors, PG&E used a single two-stage process for soliciting local third-party EE programs targeting the sectors of Residential, Commercial, Public, Industrial, and Agricultural customers. The first stage was an RFA followed by a second stage RFP for successful RFA bidders.

As the CPUC directed, the abstracts are short, high-level summaries of third-party program design concepts.⁷ The RFA stage resulted in 170 abstract proposals submitted by bidders. Of the 170 abstracts, PG&E shortlisted 91 proposals⁸. Of these, 53 responses addressed the Commercial sector primarily, with 33 being selected and invited to submit a complete and fully developed proposal in the RFP stage.

On August 2, 2019, bidders submitted 77 proposals in response to the RFP. Of these, 30 proposals addressed the Commercial sector. Some of these Commercial proposals targeted niche market sub-sectors, some addressed multiple sectors but primarily the Commercial sector (i.e., more than 70 percent of the proposal was directed to Commercial customers), and some proposals comprehensively addressed the entire Commercial sector.

Solicitation Scope

PG&E sought a wide range of abstracts and proposals with a high level of innovation and creativity around cost-effective approaches to identifying and capturing deep, long-term energy savings in all customer sectors. Bidders were encouraged to team with other firms to provide the most complete and compelling program ideas. PG&E sought and considered a wide variety of third-party program proposals that in total could contribute to a cost-effective EE portfolio and:

- Serve all PG&E customer sectors and sub-sectors, including all types and sizes of customers, across all geographies within PG&E's service territory.
- Address the specific needs of Hard-to-Reach (HTR) markets and Disadvantaged Communities (DAC).
- Promote long-term market transformation of the EE market.
- Do not duplicate or interfere with the scope of EE programs identified for statewide administration.
- Include local pilot ideas to test new program concepts in PG&E's service territory with potential for future statewide administration.
- Include any combination of resource and/or non-resource programs or program elements

⁷ The Semi-Annual Report submitted in May of 2019 covers this period **and** addresses the PG&E Local Multi-Sector Solicitation RFA process in detail.

⁸ Four of the shortlisted proposal were held for further review in a separate solicitation process. The remaining 87 were invited to participate in the RFP stage.

that support energy savings acquisition.

- Permit deemed, custom, and/or meter-based energy savings calculation methodologies or any combination of these methodologies.
- Permit any combination of upstream, midstream, or downstream delivery channels.
- Include 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).
- Provide innovative approaches to improving the customer experience and outcomes.
- Add to the diversity, safety, and sustainability of PG&E's supplier base.

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 RFA triggered a robust response from participants with 170 abstracts submitted. Seventy-five lead firms submitted abstracts. Bidders submitted a range of one to nine abstracts per firm. There was a very strong interest in the local program presumably due in large part to the vast scope, the chance to deliver services on behalf of one of the country's largest utilities, and the fact that third-party solicitation opportunities have been limited for the last several years. There were a large number of bids across all sectors and no major gaps in any particular sector.

The Commercial sector was no exception as 53 firms submitted abstracts ranging from proposals to serve a single sub-sector, proposals that were largely targeting Commercial markets (70+ percent) while serving other segments, and finally, proposals to serve the entire Commercial market sector comprehensively across the PG&E service territory. While there were no major surprises, revolutionary market approaches, or groundbreaking ideas, bidders proposed incremental innovations and improvements to the existing portfolio.

From the RFA, PG&E selected 87 proposals for consideration in the RFP. Firms representing these proposals were invited to submit fully developed program proposals in this second stage. The RFP resulted in program proposal submissions for all five of PG&E's customer sectors, including those targeting multiple sectors. Proposals selected during this stage were invited to participate in the negotiations and contracting processes. These concluding steps are intended to ensure that the final selections for each sector are in alignment with PG&E's portfolio goals and that the solicitation results in contracts that maximize ratepayer value while appropriately balancing ratepayer risk.

Timeline

The timing of the solicitation process is shown in Table 2 below.

Table 2: Key Milestones	
Milestones	Completion Date
RFA Stage	
RFA Release	November 28, 2018
Abstracts Submitted	January 14, 2019
RFP Stage	
RFP Release	June 13, 2019
Proposals Submitted	August 2, 2019
Scoring	August–Sept 2019
Shortlisting	October 29, 2019
Contracting Stage	
Phase 1 Contract Negotiations and Selections (Focused on review of CET data)	November 2019–February 2020
Phase 2 Contract Negotiations and Selections (Includes detailed discussion of contract terms)	February 2020–June 2020
Final Contract	June 23, 2020

2.2 Key Observations

Key observations are identified in Table 3 below.

- PG&E's RFA development schedule did not provide IEs with adequate time for thorough review and thoughtful consideration of the RFA documents prior to their release.
- IEs felt that the RFA clearly articulated the purpose, goals, and requirements of the solicitation, with only a few minor reservations.
- PG&E developed the scoring rubric along with the RFA materials; however, the scorecard (with scoring elements and definitions) was produced after the RFA was released. This limited improvements to the scorecard as Bidder information was limited to the already released RFA.

TABLE 3: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
General			
Multi-Sector Local Solicitation	While IEs were initially skeptical of the Multi-Sector Local solicitation approach taken by PG&E, the solicitation team was able to manage the overall two-stage RFA/RFP resulting in a robust collection of proposals. While there were delays throughout the process as PG&E worked through issues that inevitably arose, the team has now selected and executed contracts for sufficient third-party proposals to meet 25% threshold requirement.	No other California IOU proposed such an ambitious and complex plan for achieving the CPUC's vision of procuring EE from program designed and implemented by third-party implementers. This process should be considered a "best" practice. Lessons learned from PG&E's Multi-Sector solicitation should be used to make adjustments so as to improve future EE solicitation efforts.	PG&E is preparing to submit executed contracts to the CPUC for approval to meet the 25% EE procurement threshold by the 6/30/2020 deadline.
RFA Stage			
Timing	PG&E's RFA development schedule did not provide IEs with adequate time for thorough review and thoughtful consideration of the RFA documents prior to their release.	Build enough time in future schedules to allow for thorough review.	PG&E worked hard to ensure that enough time was built into the schedule for thorough review of RFP materials.

TABLE 3: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
RFP Stage			
Timing	IEs requested that PG&E update the solicitation schedule to include sufficient time for the PRG and IEs to respond to key tasks and milestones.	<p>Create and implement more realistic schedules that allow for all parties—PG&E, IEs, and PRG adequate time for review and incorporation of feedback. Start off each process with more realistic timelines based on lessons learned from past solicitations.</p> <p>Provide regular communication and updates on schedule. Provide frequent updates and ensure transparency for all solicitation schedules. Hold regular meetings even if the schedule is slipping.</p>	<p>PG&E continues to adjust schedules and has improved the process. PG&E also instituted regular weekly check in meetings with the IEs throughout the solicitation process.</p> <p>However, there continued to be delays across all solicitations.</p>
Scorer Training	IEs requested that PG&E provide scoring team training to align reviewers (including IEs) and confirm reviewer understanding of scoring criteria and process. IEs recommend “mock scoring” exercise. Scoring training is important for scorers to get on the same page.	IEs requested that PG&E provide scoring team training to align reviewers (including IEs) and confirm reviewer understanding of the scoring criteria and process. IEs recommended including a “mock scoring” exercise.	PG&E held scoring training sessions that included an IE presence and “mock scoring” exercise. Afterwards, PG&E scorers identified the “mock scoring” exercise as high value preparation for individual scoring.

TABLE 3: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Measurement and Verification (M&V) (including Normalized Metered Energy Consumption [NMEC])	IE review of the first draft of 16 narrative questions about M&V identified many opportunities for improvement.	Request that bidders provide an NMEC M&V plan as per the definition provided in CPUC's NMEC M&V Rulebook v1. For future solicitations, rework NMEC-related questions to reflect updated NMEC rules in coordination with PG&E subject matter experts (SMEs).	PG&E revised the NMEC M&V section, and asked bidders to provide an M&V plan as per the NMEC Rulebook definition. The final NMEC question set was effective, as bidder responses provided a reasonable basis to assess the feasibility of proposed NMEC M&V.
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

TABLE 3: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contracting Stage			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

TABLE 3: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
Ensuring Transparency and Fairness of Final Selection During Negotiations	Inviting multiple bidders into competitive negotiations necessitates another final round of selection by the IOU. Starting in January, IEs requested to review the selection criteria or factors that PG&E will be assessing to make final selection decisions.	To ensure that the process remains fair and transparent, the IEs have asked the IOU to provide the criteria or factors by which the IOU will determine final selections.	PG&E provided additional information to the IEs to clarify the selection criteria.
[REDACTED]	[REDACTED]	[REDACTED]	

TABLE 3: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome (IOU Action/Response)
[REDACTED]	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	

3. Solicitation Outreach and Bidder Response

PG&E created and published a Solicitations website⁹ that included a solicitation schedule, as well as specific tabs containing necessary resources for EE solicitations. Along with general information, PG&E published all the RFA content for the Local Multi-Sector EE solicitation. Any interested party could review and download this material without the requirement for registration in PowerAdvocate.

Additional notices were published as a Contract Opportunity Announcement (COA) posted to:

- California Energy Efficiency Coordinating Committee (CAEECC)—sent by email to Lara Ettenson (lettenson@nrdc.org), Susan Rivo (Susan@raabassociates.org) with a copy to Jonathan Raab (raab@raabassociates.org)
- The Proposal Evaluation and Proposal Management Application (PEPMA) website.¹⁰

Finally, PG&E provided notification of the solicitation through the CPUC service lists.¹¹

⁹ <https://www.pge.com/eesolicitations>

¹⁰ <https://pepma-ca.com/Public/Default.aspx>

¹¹ R. 13-11-005, A. 17-01-013, and A. 17-01-012

3.1 Bidder Response to Solicitation

PG&E's outreach through traditional methods (e.g., PG&E EE Solicitations website, CAEECC COA, CPUC service lists, PEPMA, COA) resulted in a robust and competitive solicitation with multiple proposals within and across each of the sectors.

RFA

In response to the RFA, 170 program abstracts were submitted by 75 lead bidders. Ten were screened out due to duplicate uploads and/or non-conformance. Of the remaining 160 proposals, 53 abstracts were received targeting the Commercial sector. Of these 53 proposals, 30 were focused exclusively on the Commercial market sector or subsectors. The remaining 23 proposals primarily targeted commercial customers (at least 70 percent focus) but included portions of other customer segments (see Table 4 below).

TABLE 4: RFAs Submitted by Sector						
Sector	Total Count		100% Sector Focus		Primary Sector Focus (+70%)	
Residential	39	24%	36	92%	4	8%
Commercial	53	33%	30	57%	23	43%
Public	14	9	13	93%	1	7%
Industrial	21	13%	15	71%	6	29%
Agriculture	11	7%	8	73%	3	27%
Cross-Sector	22	14%	-	-	-	-
TOTAL	160		102		37	

The IEs tracked recommendations in a tracker sheet. This was later used to share feedback with the PRG on PG&E's responses and actions related to IE feedback. Although the timeline for review of materials was not ideal, PG&E was very transparent by sharing RFA-related documents and by holding regular check-in meetings with the IEs. The IEs collaborated well in coordinating recommendations and providing feedback to PG&E.

A total of 87 EE program abstracts were selected to participate in the Local Multi-Sector RFP. This total included 33 Commercial RFA proposals represented by 18 single-sector bids and 15 multi-sector bids. The RFA to RFP shortlist by sector is shown in the Table 5 below.

TABLE 5: RFA to RFP Shortlist by Sector					
Single-Sector RFP	2-Sector RFP	3-Sector RFP	4-Sector RFP	TOTAL	
RESIDENTIAL	16				16
AGRICULTURAL	7	AGR + IND 4			11
INDUSTRIAL	11	IND + COM 3	IND + COM + AGR 1		15
PUBLIC	11	PUB + COM 1			12
COMMERCIAL	18	COM + IND 6	COM + IND + AGR 1	COM + PUB 1	33
		COM + PUB 6	COM + PUB + IND + AGR 1	COM + PUB + IND + RES 1	87

3.2 Bidders Conference and Q&A

Bidders Conferences were held for both the Multi-Sector Local Solicitation RFA and RFP. Tables 6 and 7 summarize the relevant details from each Bidders Conference. For the RFA, The Bidders Conference was held on December 10, 2018. Responses to questions posed by bidders during the conference were answered by December 21, 2018.

TABLE 6: RFA Bidders Conference	
RFA Bidders Conference Summary	
Bidders Conference Date	December 10, 2018
No. of Attendees	41 (in person) 85 (online)
No. of Questions Received	140+

RFP

The Multi-Sector Local RFP was released on June 13, 2019. All successful Bidders from the RFA process were invited to submit more detailed program proposals by August 2, 2019.

The RFP Bidders Conference was held on June 21, 2019. PG&E chose to release responses to questions in 5 “batches.” Answers that could be provided quickly were answered first, while answers that required additional research were released in subsequent batches. A consolidated master list of all questions with their corresponding answers was posted to PowerAdvocate on July 18, 2019.

TABLE 7: RFP Bidders Conference	
RFP Bidders Conference Summary	
Bidders Conference Date	June 21, 2019
No. of Attendees	19 (in person); 145 (online)
No. of Questions Received	280+

The fact that PG&E received more than 280 questions did not seem excessive or indicate there were issues with the solicitation materials provided to bidders (see section 4 below). 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.

IEs observed that some of the topics from the RFA stage did not draw many questions in the RFP stage. PG&E only received one question on workforce standards, four on grid resource functions and three on Hard-to-Reach (HTR) functions. PG&E provided greatly improved detail on these topics in the RFP package, which may have mitigated potential bidder confusion.

IEs reviewed and commented on all of PG&E's draft responses. Themes in the types of questions received are described below.

- **Process**—Approximately 50 submitted questions requested clarifications about the solicitation process or RFP documents and forms. For most of these, answers were readily available within the existing RFP package. In a few cases, these questions identified minor errors in the original bid package, such as referring bidders to use a document but referencing an incorrect file name. PG&E corrected these within the Q&A. PG&E also published a change log on PowerAdvocate that captured the few minor updates made to the RFP forms or documents. PG&E should incorporate these updates into future RFAs and RFPs.
- **Clarification About Multi-Sector Bids**—Nine of the process questions reflected common confusion about treatment of multi-sector bids within the PG&E solicitation. After deciding to assign multi-sector bids to a single sector RFP for administrative purposes, PG&E did not clearly communicate this to bidders when their abstracts were selected. It appears that some of these bidders thought they were selected only for a single sector portion of their abstract when, in fact, PG&E had selected their entire multi-sector abstract.
- **NMEC**—Nearly 40 program M&V-related questions were received. About two-thirds of these were NMEC questions with most related to three emergent themes:
 - **The process for entering NMEC-based forecasts into the CET tool**—These questions alerted PG&E and the IEs to information that was missing from the RFP packet.
 - **12- or 24-month Post-monitoring for claiming NMEC savings**—Bidders expressed concern about post-monitoring requirements related to PG&E's request for proposers to bid a three-year program. PG&E answered this question by asking bidders to identify their more realistic proposed timing for post-monitoring activities in the schedule.

- **Industrial NMEC Clarification**—There was a lack of clarity around whether NMEC was allowed for Industrial customers, and, if allowed, how this was to be accomplished. This issue was clarified by PG&E.
- **CET**—There were 45 CET-related questions submitted. This indicated there was a wide variability in level of bidder experience and expertise with the CET tool.

3.3 Solicitation Design Assessment

PG&E’s decision to conduct a Local Multi-Sector EE solicitation proved to be a difficult and complex project to manage. There were many elements that had to be coordinated simultaneously so that the RFA and RFP stages would comply with CPUC policies and plans. While the project schedule “slipped” occasionally, these delays were necessary to ensure all elements of both stages were complete before release. PG&E’s overall management of the Local Multi-Sector RFA and RFP was commendable.

The solicitation design adequately met the program portfolio “need” as presented in the IOU-approved Business Plan, as well as EE energy savings goals, and applicable portfolio/sector metrics, even with having to consider multiple sectors and leaving it to the market to offer programs, budgets, and savings across multiple sectors while still fulfilling single sector goals and/or addressing the needs of niche markets.

For the Commercial market sector, the multi-sector approach resulted in a wide variety of proposals including comprehensive proposals, several niche programs, and proposals that sought to deliver EE to two or more market sectors.

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

4. RFA and RFP Design and Materials Assessment

The broad approach taken with this solicitation was set during the RFA stage. PG&E decided early in the process to allow bidders to select individual market sectors, address multi-sector programs, and integrate multiple program functions in a single large solicitation to maximize the opportunity and market response. That decision in late 2018 largely dictated much of the RFP process in mid-2019, as the diversity of types of programs participating and sheer volume of proposals increased the complexity and workload associated with most steps.

The IEs’ overall observations on the solicitation process and suggested areas of improvement include the following:

- The RFA process was open and transparent throughout,
- The IEs participated in regular and frequent PG&E meetings throughout the process,
- IEs monitored PRG comments and tracked responses through a tracker (spreadsheet),
- IEs listened to and communicated any concerns from members of the PRG and PG&E addressed IE and PRG issues,
- The interaction and coordination between the five IEs and PG&E worked well
- PG&E listened to and addressed IE recommendations regarding RFA general instructions,

- PG&E generally accepted IE recommendations on the main scoring criteria but further collaboration was needed for scorecard, scorer guidance, and preparing the scoring teams for reviews,
- PG&E's RFA development schedule did not provide IEs with adequate time for thorough review and thoughtful consideration of the RFA documents prior to their release,
- IEs found that the RFA clearly articulated the purpose, goals, and requirements of the solicitation, with only a few minor reservations.

The RFA and RFP were well designed and appropriate for each stage. For the RFA stage, bidders were asked to provide a conceptual description of their proposed program including the market sector(s) to be addressed, the budget and projected savings, and the program team's qualifications and experience.

For those selected for the RFP stage, bidders were asked to provide, among other things, a complete program description along with detailed budget information and cost-effectiveness forecasts based on the output from the CPUC's approved CET.

4.1 RFA Design Requirements and Materials

The RFA solicitation documents were generally well-designed, and PG&E attempted to strike an appropriate balance between obtaining sufficient information while not burdening bidders.

The RFA was issued on November 28, 2018 after significant feedback from the IEs and PRG was incorporated into the final documents.

When complete, the RFA solicitation package included the following documents:

- **RFA General Instruction** –a MS Word document providing the regulatory context, submission requirements, and the instructions for all bidders to follow in preparing their proposals.
- **RFA Narrative Response For** –a MS Word document with questions for each bidder to answer. Additional guidance for specific questions in the form is also given. Word limits were given for each response.
- **Data Response Form** –a MS Excel Workbook designed to capture program financial and energy related data (savings) for the proposed program. There were also worksheet tabs for the bidder to depict the proposed program's logic model, describe the program schedule and key deliverables, present the proposed payment structure and KPIs, and provide details regarding the bidders' prior experience.

4.2 RFP Design Requirements and Materials

As with the RFA, the local multi-sector bid process was a significant undertaking and PG&E's overall management of the RFP is laudable. The solicitation documents were generally well-designed, and PG&E attempted to strike an appropriate balance between obtaining sufficient information while not burdening bidders.

PG&E worked with IEs and their internal technical leads to develop a process to help improve the quality of bidders' CET submissions and reduce expected bottlenecks in the bid evaluation process. PG&E finalized their 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. All documents, references, and training materials were made available to bidders through the PowerAdvocate web portal.

PG&E 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.

4.3 Response to PRG and IE Advice

RFA

In December 2018, the RFA instructions went through extensive revisions and the process was open and transparent. High level recommendations from the IE focused on things such as:

- Including more Statewide vision and context from PG&E's business plan;
- Including CPUC/legislative decisions, references and definitions;
- Evolving PG&E program function requirement categories into key objectives to allow bidders to respond to portfolio needs;
- Better emphasis on the importance of increased savings, cost, and cost-effectiveness;
- [REDACTED]
- Rephrasing RFA language to encourage bidders to be more innovative in their abstracts;
- [REDACTED]; and
- Giving more weight to [REDACTED] in RFA scoring.

The majority of these recommendations were accepted by PG&E, which greatly improved the RFA design and gave more clarity to the bidders.

The RFA process was open and transparent. In addition to PG&E listening to and addressing IE recommendations, PG&E was very responsive to recommendations on main scoring criteria, scorecard guidance, scoring team development, and established good processes for incorporating lessons learned for process improvement. The team of IEs and PG&E worked well together as processes were established, despite tight timelines.

RFP

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

The comment tracker given to PRG in June 2019 records all IE and PRG feedback 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.

5. Bid Evaluation Methodology Assessment

5.1 Bid Screening Process

PG&E reviewed and evaluated all submitted bids for completeness and compliance with eligibility criteria as the first step of review in both the RFA and RFP stages. For the RFA, 75 bidders submitted 170 proposals by the January 14, 2019 due date. An overall summary of the responses is reflected in Table 5 below. After duplicates and non-compliant proposals were screened, 160 proposals (94% of the bids received) were sent on to PG&E's scoring team and IEs for scoring.

TABLE 8: RFA Submission Summary	
Topic	Total Count
Bidders	75
Abstracts Submitted	170
Duplicate Uploads	5
Screened-Incomplete	1
Screened-Length	3
Screened-Scope	1
Final Total	160

5.2 Scoring Rubric Design

RFA

The RFA scoring criteria is shown below in Table 9. The criteria categories of Program Concept, Company Experience and Qualifications are shown with their corresponding sub-criteria and weightings. The criteria and sub-criteria were further defined in the detailed scorecards used by PG&E's scoring team when evaluating and scoring each proposal.

TABLE 9: RFA Scoring Criteria	
Criteria	
Program Concept	
Portfolio Alignment	
Assessment of Program Benefits	
Program Feasibility	

TABLE 9: RFA Scoring Criteria		
Criteria		
Company Experience and Qualifications		
Team Composition and Qualifications		
Prior Program Implementation Experience		
Innovation		
Program Design Features		
TOTAL SCORE		100%

RFP

For the RFP, the two-tier criteria are shown in Table 10 below. During the RFP scoring process, proposals were evaluated as to their design, benefits and feasibility. 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. Overall, the scorecard captured the needs of PG&E in terms of resource acquisition while balancing the policy interests of the CPUC.

TABLE 10: RFP Scoring Rubric		
Category	Criteria	
Program Design	<ul style="list-style-type: none"> Program Design, Theory and Evaluability Customer Acquisition and Outreach IDSM Program Features Program Innovation 	
Program Benefits	Cost Effectiveness	
Program Feasibility	<ul style="list-style-type: none"> Program Management & Risk Compensation and Performance Savings Measurement and Reporting Compliance Requirements 	
Grid Resource Programs (optional)	Grid Resource Program Design	
HTR/DAC Programs (optional)	<ul style="list-style-type: none"> HTR Program Design DAC Program Design 	
Company Qualifications	<ul style="list-style-type: none"> Team Qualifications Prior Implementation Experience 	
Supply Chain Responsibility	Diverse Business Enterprise	

During the development of the scorecards for both the RFA and RFP, PG&E thoughtfully considered IE feedback. Special emphasis was placed on linking the information sought in the RFA and RFP with the scoring criteria used in the scorecard. Where there was initial disagreement, PG&E's solicitation team presented its rationale for the criteria, sub-criteria, and weightings. After reviewing what was presented, IEs provided their own recommendations. There was open and frank debate during this process leading to scorecards that best reflected PG&E's goals and supplemented by the feedback from the IEs.

5.3 Evaluation Team Profile

During the entire solicitation process, IOU team members were instructed not to communicate with any

bidders or potential bidders regarding any aspect of the solicitations. Concurrently, bidders were instructed to use the PowerAdvocate web portal to ask questions, to seek clarification, and to solicit additional guidance regarding the solicitations. There were no reported violations of this code by either PG&E or bidder personnel.

TABLE 11: PG&E RFA Evaluation Team		
Position Title	Position Role	Area Scored
[REDACTED]		

PG&E held three half-day scoring team training sessions to ensure that each scorer could attend one session. The scoring training included a mock proposal scoring exercise. Although it is challenging to provide a complete mock proposal to be adequately reviewed and scored, the sessions resulted in good discussion and clarification of some of the scoring criteria. The training was sufficient for getting the team members to generally understand the approach to this complex scoring process. [REDACTED]

An Evaluator Code of Conduct (rules that evaluators must follow during proposal scoring) were made very clear to all scorers, particularly as it relates to implementers of existing programs who are also bidding on new programs.

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 the sections related to their areas of expertise, e.g., IDSM, CET, NMEC, Custom, Deemed.

The process was complex by design, but the IEs agreed it was important and valuable to have specific SMEs assigned to different scoring criteria categories. 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. However, some scorers expressed they lacked an overall understanding of the entire proposal when they were only assigned to evaluate discrete sections of the proposals. IEs recommended that the role of the SMEs could have been improved. IE feedback following the scoring process emphasized that in the future, all scorers should understand the proposed program overview and its primary characteristics in order to provide better context for scoring any

particular aspect of it.

Table 12 below is a list of the PG&E evaluators used in the RFP scoring process. Note that the staff highlighted in gray have specific expertise related to the Commercial sector.

TABLE 12: PG&E RFP Evaluation Team		
Position Title	Position Role	Area Scored

TABLE 12: PG&E RFP Evaluation Team		
Position Title	Position Role	Area Scored
[REDACTED]		

6. Response to PRG and IE Advice

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

[REDACTED]

7. Final Bid Selection Assessment

7.1 Conformance with Established Evaluation Processes

As described in Section 5.1, PG&E screened all submitted bids for completeness and compliance with eligibility criteria as the first step of review. Out of 77 bids submitted, 3 were disqualified prior to scoring due to unequivocal deficiencies (e.g. missing proposal documents).

[REDACTED]

[REDACTED]

In the end, the issue of non-conformance for these submissions was moot.

PG&E's approach on screening out bids was inclusive. In other words, when in doubt about a proposal's eligibility, PG&E chose to score bids. While there were ultimately no issues in this solicitation, in future solicitations, IEs recommend that screening criteria should be applied more rigorously and consistently. PG&E may need to reconsider what the screening criteria are and how it approaches the screening of bids received to do so effectively. If bids will be accepted even if not compliant with instructions in the RFP, then the instructions should be changed.

Ultimately, there were 74 conforming bids scored across multiple sectors as shown in Table 13 below.

TABLE 13: RFP Bid Summary							
Customer Sectors	RFA Shortlist	RFP Responses	No. Bids Received	Screened Out	Response Rate	Total Conforming Bids	% by Sector
Agricultural	11	9	2	0	82%	9	12%
Industrial	15	14	1	0	93%	14	19%
Commercial	33	30	3	2	91%	28	38%
Public	12	9	3	0	75%	9	12%
Residential	16	15	1	1	94%	14	19%
TOTAL	87	77	10	3	89%	74	

PG&E conducted the evaluation and scoring calibration process in conformance with its established criteria and process for the RFP. Scoring calibration meetings began during the week of September 9, 2019 and continued through the week of September 23, 2019. 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 very well scheduled, coordinated and facilitated by PG&E staff. All IEs were invited to attend all meetings relevant to their assigned sectors.

A significant issue that surfaced during this process was the quality of the CET submissions from bidders. Despite the CET training and the inclusion of a voluntary CET Review process offered by PG&E, the overall quality of the CET submissions was inadequate. No bidder provided a well-executed CET. The most common input errors included: bidders selected incorrect measures codes, incorrect load shapes, incorrect climate zones, incorrect Effective Useful Life (EUL)/Remaining Useful Life (RUL), and incorrect baseline usage.

[REDACTED]

[REDACTED]

[REDACTED]

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. Bids were screened out or scored based on what was submitted.

7.3 Shortlist and Final Selections

[REDACTED]

Of the 77 proposals received, 46 were shortlisted to proceed to Phase 1 Negotiations. For the Commercial sector, 18 proposals were selected for negotiations. [REDACTED]

[REDACTED] as displayed in Tables 14 and 15 below.

TABLE 14: Proposals Advancing to Phased Negotiations					
Sector ¹²	Abstracts Received	RFA Shortlist	Proposals Received	Invited to Phase 1 Negotiations	Invited to Active Phase 2 Negotiations (Wave 1)
Agricultural	12	11	9	4	3
Industrial	21	15	14	11	11
Commercial	56	33	30	18 ¹³	2
Public	18	12	9	6 ¹⁴	5
Residential	41	16	15	7	2
Cross-Sector	22*				
Total	170	87	77	46	23

TABLE 15: RFP Shortlist of Commercial Proposals	
Bidder	Program Name

¹² After the RFA stage, Multi-Sector bids were classified with the dominant sector served, and those that proceeded are included in the dominant sector's numbers

¹³ While there were Commercial 18 bids selected to participate in the negotiations, one bidder declined to submit a revised CET and withdrew from further participation in the bidding process.

¹⁴ Six bidders were shortlisted.

TABLE 15: RFP Shortlist of Commercial Proposals	
Bidder	Program Name

[REDACTED]

The Phase 1 Negotiation process started in November 2019. [REDACTED]

IEs monitored the notices sent to bidders through the PowerAdvocate web portal and found them consistent with the communication plan. Bidders selected to advance to Phase 1 Negotiations were notified through Power Advocate in early November 2019. These notifications effectively summarized next steps for those advancing. Bidders not selected to advance received notice through Power Advocate between November 13 and 14, 2019.

During Phase 2 negotiations, bidders were initially tasked with refining their proposed payment structures using PG&E’s newly development compensation structure as a starting point. PG&E’s proposed compensation structure included four distinct performance payment components based on cost-effectiveness (TRC), energy savings, key performance indicators and installed/delivered energy savings. Bidders were asked to provide necessary details regarding the timing and methodology for Implementer compensation, customer incentives and other budget and performance aspects of their proposals. Based on the bidder’s response to the proposed compensation structure and improved CET showings presented in the negotiations, PG&E worked to further narrow the field of bidders (as applicable) and continue negotiations on contract terms with leading bidders in each sector. The negotiation is intended to be continuously competitive, and final selections for each sector will represent the last step in PG&E’s negotiation process.

Phase 2 of negotiations included active negotiations with all Industrial sector programs, four Public sector programs, two Commercial sector programs (where there are multiple bidders/options still being considered for selection), and one Agricultural sector program. PG&E intended to use the first group of negotiated contracts to help meet the June 30, 2020, deadline for its minimum 25 percent target.

The IEs monitored bidder contract negotiation meetings by phone and through PG&E’s PowerAdvocate system. As appropriate, IEs provided feedback to PG&E about ongoing negotiations outside of the bidder meetings. The IEs reviewed initial contracts provided by PG&E to bidders to confirm fairness and consistency with the CPUC’s guidance and policies, as well as the Standard and Modifiable Contract Terms and Conditions.

PG&E was selective in how it approached competitive negotiations. During Wave 1, competitive negotiations only occurred in the Industrial and Public sectors. For the Agricultural, Commercial, and Residential market sectors, negotiations were more traditional EE contract negotiations. Discussions during these negotiations were with the high scoring bidder and characterize by one-on-one negotiations on the key issues. If PG&E and the bidder failed to reach agreement on the key issues, PG&E had the option to move on to the next highest scoring proposal in their respective cohort. It was not necessary to exercise this option was during the Wave 1 negotiations.

Table16: Commercial Sector Bidders Informed February 11–13, 2020			
Invited to Active Negotiations	Still Under Consideration, Wave 2	Not Advancing	Phase 1 Negotiations Completed
2	10	5	17 ¹⁵

a. Conformance with Established Evaluation Processes

Based on program design, overall scoring from the evaluation process and CET, PG&E began negotiations with kW Engineering on March 18, 2020 for their *Smart Labs* program targeting high-tech laboratories as one of the two commercial sector bidders invited to Phase 2, Wave 1 negotiations.¹⁶

Smart Labs is a pay-for-performance program also using the NMEC platform.



TABLE 17: <i>Smart Labs</i> Program Benefits								
CET OUTPUT		GROSS ENERGY SAVINGS			CALCULATED NET-TO-GROSS			BUDGET
TRC	PAC	3YT KWH	3YT KW	3YT THERMS	3YT KWH	3YT KW	3YT THERMS	TOTAL
Original Proposed Benefits and Budget								
Negotiated Final Benefits and Budget								

¹⁵ While there were Commercial 18 bids selected to participate in the negotiations, 1 bidder declined to submit a revised CET and withdrew from further participation in the bidding process.

¹⁶ PG&E will enter into contract negotiations in July, as needed, with selected Commercial sector bidders who proposed more comprehensive programs.

PG&E reached agreement with kW Engineering for their *Smart Labs* program in May 2020. The original proposal is consistent with the revised proposal in terms of cost effectiveness but reflects the 30 percent reduction in budget based on PG&E's going into Phase 1 of negotiations.

b. Portfolio Fit

The *Smart Labs* Commercial market proposal helps PG&E to meet its threshold 25% budget requirement for programs designed and implemented by third-party implementers. PG&E's selection of these two proposals for Wave 1 negotiations, gives them the flexibility in selecting the best of the remaining comprehensive Commercial sector proposals in Wave 2 to meet the year-end budget threshold of 40% third-party designed and delivered programs. In the meantime, it allows kW Engineering to start preparing for the launch of their *Smart Labs* as soon as it is approved by the CPUC.

Of the remaining Commercial sector proposal still under consideration, [REDACTED]

c. Response to PRG and IE Advice

At the January 2020 PRG meeting, PG&E proposed to move into the first wave of Phase 2 Negotiations with bidders in the Industrial, Agricultural, and Public sectors, along with two proposals from the Commercial Sector. IEs for these sectors were supportive of PG&E's Phase 2 selections and their recommended next steps. Due to PG&E's competitive approach to negotiations, IEs requested additional information about how PG&E would be making final selections.

PRG members generally agreed with IE advice on the appropriateness of PG&E recommendations for advancing bidders into Phase 2 negotiations and did not have objections or issues with what PG&E had proposed. There were no specific discussions related to the selection of the kW Engineering's *Smart Labs*' program selection for the EE portfolio. The process was straightforward, and the programs selected to move forward into Phase 2 Negotiations were ultimately selected for contracting. There were no "deal-breakers" in what turned out to be a smooth, professional negotiations process.

7.4 Affiliate Bids and Conflict of Interest

No affiliate bids were received, nor did PG&E determine that any conflicts of interest existed among the proposals submitted during either the RFA or RFP stages.

8. Assessment of Selected Bids

During the negotiations, PG&E used the following program metrics to determine which programs would be selected for contracts:

[REDACTED]

[REDACTED]



In choosing the final list of programs for meeting the CPUC’s 25% portfolio budget threshold, PG&E focused on program budgets, energy savings, payment structure and details, and programmatic issues. For the Commercial sector, kW Engineering was generally receptive to the performance payment structure, but they had concerns about the non-refundable payment withholdings for missed performance targets. kW Engineering needed additional time to examine the cash-flow impacts of these penalties on the overall program. PG&E was also receptive to kW Engineering’s proposals to resolve potential contract issues that arose during the negotiation process.

The final contract financial and performance statistics are reflected in Table 18 below:

TABLE 18: Commercial Proposals Negotiated in Phase 2 (Wave 1)		
kW Engineering		Smart Labs
Topic	2021-2024	
Budget		
Net kWh		
Net kW		
Net Therms		
TRC-PAC Benefits		
TRC Costs		
TRC Ratio		
PAC Costs		
PAC Ratio		
Therms Benefits		
kWh Benefits		
Lifecycle Net Thm		
Lifecycle Net kWh		
PAC Levelized Costs Per Therm		
PAC Levelized Costs Per kWh		

8.1 Bid Selections Respond to Portfolio Needs

For the Commercial sector, PG&E has not yet completed its selection of proposals to ensure coverage of

the entire sector. From the remaining Commercial sector proposals, PG&E is expected to enter active negotiations.

8.2 Bid Selections Provide Best Overall Value to Ratepayers

Only two Commercial sector programs have been selected for contracting during the Wave 1 negotiations. As stand-alone programs, these programs have the potential for providing ratepayers with cost-effective energy savings that exceeds those of programs in the existing portfolio¹⁷. Until the entire portfolio of Commercial programs are selected from the remaining Commercial proposals, it is difficult to draw any conclusions from the two proposals that have been selected.

Based on the two Commercial sector contracts, value to ratepayers is quantified and substantiated by the following:

1. NPV of Net Life-cycle benefits – See Table 18 above
2. Cost-Efficiency – See Table 18 above
 - a. [REDACTED]
3. Lifecycle acquisition cost (PAC levelized cost) – See Table 18 above
4. Alignment with California’s energy efficiency policies and the CPUC’s overarching solicitation policy objectives – The *Smart Labs* program is aligned with the CPUC’s EE policy and meet its solicitation objectives.
5. *Smart Labs* targets high-tech laboratories [REDACTED]
6. TRC – See Table 18 above
7. [REDACTED]
8. The *Smart Labs* program is not designed to target Hard-to-Reach Markets, Disadvantaged Communities, or Disadvantaged Workers.
9. [REDACTED]
10. The payment structure for the *Smart Labs* program is largely a pay-for-performance structure that balances risks for all parties. Table 19 below provides payment structure details in the basic categories of the overall program budget.

TABLE 19: kW Engineering Payment Structure	
Program Name	<i>Smart Labs</i>
Category	% of Total Budget
[REDACTED]	

¹⁷ Based on a portfolio TRC of .75 as found in PG&E’s 2020 ABAL filing.

9.3 Changes to Contract Terms & Conditions

CPUC standard terms are unmodified in the final Program Implementation Agreement (PIA). They are identical to the latest contract templates reviewed by IEs/PRG, and other IOU terms do not supersede them. Changes to the modifiable terms and conditions were minimal. PG&E's changes to the modifiable Terms and Conditions served to clarify and enhance other contract provisions. PG&E has provided a table that maps the elements of the Modifiable Contract Terms and Conditions to the contract.



9.4 Conformance with CPUC Policies and Objectives

Incentive Design

The incentive design for *Smart Labs* is shown in Table 20 below:

Table 20: <i>Smart Labs</i> Incentive Design	
Category	Amounts and Timing
Program Incentives	
Terms	

NMEC Savings



Innovative Program Features

As defined by the PRG, an innovative program is one that will:

...increase the uptake of cost-effective EE by advancing a technology, marketing strategy, or delivery approach in a manner different from previous efforts.”¹⁸ Ideally, such strategies could be scalable and replicable across sectors, segments, and technologies in the future, or seek to integrate other demand side technologies where feasible, such as demand response and distributed generation. While each innovative program may not individually be cost-effective, the intent is to lead to cost-effective savings over time.

kW Engineering’s *Smart Labs* program to be implemented will meet



Contract Execution Deadline

The contract met the CPUC requirements as it was executed on June 23, 2020, which is prior to the June 30, 2020 CPUC deadline.

9.5 Uniformity of Contract Changes

For the Commercial market sector, PG&E selected only two proposals from a single bidder, kW Engineering, Inc., for the first wave of contract negotiations. PG&E reached agreement with the bidder on both proposals. While the final executed contracts are different with respect to some details related to the unique aspects of each program’s design, the options were uniformly available to the bidder during the negotiations. Uniformity of contract changes will be closely monitored during the next wave of Commercial market contract negotiations.

¹⁸ The definition of “innovative” is a refinement of the definition provided with the Request for Abstracts.

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

PART 2 CONFIDENTIAL VERSION

July 29, 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	