

APPENDIX C

Semi-Annual Independent Evaluator Report

San Diego Gas & Electric Company

Energy Efficiency Third-Party Solicitation Process

October 2018 through April 2019

PUBLIC REPORT

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SEMI-ANNUAL INDEPENDENT EVALUATOR REPORT – SAN DIEGO GAS & ELECTRIC

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1.1 Assessment Overview

1.1.1 Introduction

The Semi-Annual Independent Evaluator Report (Report) provides an assessment of San Diego Gas & Electric Company's (SDG&E or Company) third-party energy efficiency program solicitation process and progress by SDG&E's assigned Energy Efficiency Independent Evaluators (IEs). The Report is intended to provide feedback to SDG&E and other stakeholders on the progress of the Company's energy efficiency program solicitations in compliance with California Public Utilities Commission (CPUC or Commission) direction¹. Due to the sensitive nature of information contained in the IEs' assessments, the Report includes both Public and Non-Public sections. The Non-Public section includes more detailed discussion on SDG&E's solicitation process as well as assessments from assigned-IEs on individual solicitations.

The energy efficiency IEs are ordered to provide assessments of the overall third-party solicitation process and progress, on at least a semi-annual basis, to the Commission via reports filed in the relevant energy efficiency rulemaking (currently R.13-11-005). This Semi-Annual Report is provided in response to that Order as the IEs first report on SDG&E's third-party energy efficiency program solicitation process and represents an assessment of program solicitation activities conducted during the period from October 2018 through April 2019. These Reports will be filed periodically throughout SDG&E's entire program solicitation process. This Report identifies areas for improvement and highlights best practices as noted by the IEs based on SDG&E's current program solicitations. The Report is not intended to replace the required Final IE Assessment Reports, which will be provided to SDG&E and its procurement review group (PRG) by the assigned IE at the conclusion of each solicitation.

1.1.2 Background

The Commission directed the four California investor-owned utilities (IOUs)—Pacific Gas & Electric (PG&E), Southern California Edison (SCE), Southern California Gas (SoCalGas), and SDG&E — to ensure that their energy efficiency portfolios contain a minimum percentage of third-party designed and implemented energy efficiency programs over the next few years. In response, the IOUs are releasing numerous solicitations over the coming years with the desired result of contracting with third-parties to propose, design, implement, and deliver new energy efficiency programs.

The IOUs are required, by the CPUC, to conduct a two-stage solicitation approach to soliciting third party program design and implementation services as part of the energy efficiency portfolio. All IOUs are required to conduct a Request for Abstract (RFA) solicitation, followed by a full Request for Proposal (RFP) stage.²

The CPUC also requires each IOU to assemble an Energy Efficiency Procurement Review Group (EE PRG or PRG). The IOU's EE PRG, a CPUC endorsed entity, is composed of non-financially interested parties

¹ Decision 18-01-004, OPN 5.c.

² Id, p. 31.

such as advocacy groups, state energy commissions, utility-related labor unions and other non-commercial, energy-related special interest groups. The EE PRG is charged with overseeing the IOU’s energy efficiency program procurement process (both local and statewide), reviewing procedural fairness, examining overall procurement prudence and providing feedback during all solicitation stages. From RFA and RFP language development to bidder submission evaluation to contract negotiation, each IOU briefs its PRG on a periodic basis during the entire process.

Each IOU is required to select and utilize a pool of Energy Efficiency Independent Evaluators to serve as consultants to the PRG. The IEs are expected to observe and report on the IOU’s entire solicitation, evaluation, selection, and contracting process. The IE reviews the IOU’s development and implementation of the RFA and RFP processes and final selections. The IE reviews and validates methods of processing and evaluating the bidder submissions. The IEs are expected to monitor the IOU solicitation process, valuation methodologies, selection processes, and contracting to confirm an unbiased, fair, and transparent competitive process that is devoid of market collusion or manipulation. The IEs are privy to viewing all submissions. The IEs are invited to participate in the IOU’s solicitation-related discussions and are bound by confidentiality obligations.

1.2 Solicitation Overview

The Semi-Annual Report represents a collection of individual IE assessments for each of SDG&E’s current program solicitations. For ease of review, the Report also provides an overview of solicitation activities and a high-level summary of issues and potential recommendations gleaned from the individual IE assessments. The Report does not address program solicitations that SDG&E has yet to begin to develop.

Table 1.2 below provides an overview of SDG&E’s solicitations.

Type	Solicitation	Assigned IE	Solicitation Status ³
Local	Small Commercial	The Mendota Group	Pre-RFP
Local	Large Commercial	The Mendota Group	Pre-RFP
Local	Residential Multi-family	MCR Corporate Services	Pre-RFP
Statewide	Upstream/Midstream HVAC	The Mendota Group	Pre-RFP
Statewide	Plug Load & Appliance	Don Arambula Consulting	Pre-RFA

1.2.1 Local Large Commercial

SDG&E’s Large Commercial Sector solicitation seeks third-party energy efficiency programs that provide a comprehensive, turn-key solution to serve its large commercial customers (i.e., those customers with monthly demand greater than 20 kW). This group represents 15% of SDG&E’s commercial customers. This solicitation’s target market excludes commercial customers located in Port Tidelands, as well as non-residential customers defined as Public, Industrial, or Agricultural.

³ As of April 2019, pre-RFA stage equals activities conducted prior to RFA release; pre-RFP stage equals activities conducted prior to RFP release.

SDG&E issued its Local Large Commercial RFA on November 5, 2018. The Company held a bidder's conference on November 14, 2018. Abstracts were due on December 7, 2018. SDG&E presented the results of the abstract review process at its February 12, 2019 PRG meeting. SDG&E has completed the RFA stage of the solicitation and is nearing release of the RFP. Note that on April 24, 2019, SDG&E inadvertently and prematurely released the draft RFP on PowerAdvocate. Upon discovery, SDG&E immediately pulled the draft RFP from PowerAdvocate, notified the Energy Division, and then the PRG, and sent a note to bidders indicating that this was an RFP draft that bidders should discard. SDG&E implemented procedures to prevent this from happening in the future.

For this solicitation, the assigned IE, The Mendota Group, has been involved in and monitored the following activities to date:

- Reviewed and recommended changes to the RFA documents;
- Reviewed IOU compliance with CPUC decisions and orders;
- Monitored communications between the IOU and the PRG;
- Reviewed and recommended changes to the communications between the IOU and bidders;
- Drafted monthly reports on the solicitation for the PRG;
- Provided monthly presentations on the solicitation to the PRG;
- Attended monthly meetings between the IOU and the PRG;
- Assisted in the tracking and IOU response to all PRG and other stakeholder (internal IOU) comments;
- Reviewed and recommended improvements to the IOU's responses to bidder questions;
- Attended the bidder webinar on the RFA;
- Read and evaluated every bidder abstract package received;
- Participated in IOU review team discussions and scoring sessions;
- Participated in IOU review team and management discussions to develop shortlist of RFA bidders to proceed to RFP stage;
- Reviewed and recommended changes to the RFP documents;
- Engaged in discussions with individual PRG members to clarify Commission intent with regard to specific evolving subjects, such as Pay-for-Performance (PFP) pricing, Normalized Metered Energy Consumption (NMEC) measurement, and verification (M&V) requirements, IDSM, Support Services, etc.;
- Reviewed IOU compliance with PRG guidance provided as RFA and RFP checklists (applied RFA checklist to early RFP as proxy for the RFP checklist that was not yet available); and
- Participated in a single meeting between the PRG and all assigned IEs

1.2.2 Local Small Commercial

SDG&E's Small Commercial Sector solicitation seeks third-party energy efficiency programs that provide a comprehensive, turnkey solution to serve its small commercial customers (i.e., those customers with monthly demand of 20 kW or less). This group represents 85% of SDG&E's commercial customers, which consists of a substantially higher percentage of small businesses than found within the other IOUs in California. This solicitation's target market excludes commercial customers located in Port Tidelands, as well as non-residential customers defined as Public, Industrial, or Agricultural.

SDG&E issued its Local Small Commercial RFA on November 5, 2018. The Company held a bidder's conference on November 14, 2018. Abstracts were due on December 7, 2018. SDG&E presented the results of the abstract review process at its February 12, 2019 PRG meeting. SDG&E has completed the RFA stage of the solicitation and is nearing release of the RFP. Note that on April 24, 2019, SDG&E inadvertently and prematurely released the draft RFP on PowerAdvocate. Upon discovery, SDG&E immediately pulled the draft RFP from PowerAdvocate, notified the Energy Division, and then the PRG, and sent a note to bidders indicating that this was an RFP draft that bidders should discard. SDG&E implemented procedures to prevent this from happening in the future.

For this solicitation, the assigned independent evaluator, The Mendota Group, has been involved in and monitored the following activities to date:

- Reviewed and recommended changes to the RFA documents;
- Reviewed IOU compliance with CPUC decisions and orders;
- Monitored communications between the IOU and the PRG;
- Reviewed and recommended improvements to communications between the IOU and bidders;
- Drafted monthly reports on the solicitation for the PRG;
- Provided monthly presentations on the solicitation to the PRG;
- Attended monthly meetings between the IOU and the PRG;
- Assisted in the tracking and IOU response to all PRG and other stakeholder (internal IOU) comments;
- Reviewed and recommended improvements to the IOU's responses to bidder questions;
- Attended the bidder webinar on the RFA;
- Read and evaluated every bidder abstract package received;
- Participated in IOU review team discussions and scoring sessions;
- Participated in IOU review team and management discussions to develop shortlist of RFA bidders to proceed to RFP stage;
- Reviewed and recommended changes RFP documents;
- Engaged in discussions with individual PRG members to clarify Commission intent with regard to specific evolving subjects, such as PFP pricing, NMEC M&V requirements, IDSM, Support Services, etc.;
- Reviewed IOU compliance with PRG guidance provided as RFA and RFP checklists (applied RFA checklist to early RFP as proxy for the RFP checklist that was not yet available); and
- Participated in a single meeting between the PRG and all assigned IEs.

1.2.3 Local Residential Multi-Family

SDG&E's Residential Multi-Family solicitation seeks third-party programs that provide the Residential Multi-Family segment with comprehensive, innovative, and cost-effective energy efficiency solutions. The Residential Multi-Family segment is defined as residential customers in apartment and condominium complexes with two or more dwelling units, manufactured mobile homes, as well as the common areas of both.

SDG&E issued the Multi-Family RFA on December 4, 2018, followed by a bidder's conference on December 13, 2018. Abstracts were due January 3, 2019. SDG&E presented the results of its abstract review to the PRG at its March 12, 2019 meeting and notified bidders of its review results on March 20, 2019. SDG&E has completed the RFA stage of the solicitation and is preparing the RFP, which is anticipated to be released in June 2019.

For this solicitation, the assigned IE, MCR Corporate Services, Inc., has been involved in and monitored the following activities to date:

- Reviewed and recommended changes to the RFA documents
- Reviewed IOU compliance with CPUC decisions and orders;
- Monitored communications between the IOU and the PRG;
- Reviewed and recommended improvements to the communications between the IOU and bidders;
- Drafted monthly solicitation reports for the PRG;
- Provided monthly presentations on the solicitation to the PRG;
- Participated in monthly meetings between the IOU and the PRG;
- Assisted in the tracking of IOU responses to all PRG and other stakeholder (internal IOU) comments;
- Reviewed and recommended improvements to the IOU's responses to bidder questions;
- Read and evaluated every bidder abstract package received;
- Participated in IOU review team discussions and scoring sessions;
- Participated in IOU review team and management discussions to develop shortlist of RFA bidders to proceed to RFP stage;
- Reviewed and recommended changes to the RFP documents;
- Reviewed IOU compliance with PRG guidance provided as RFA and RFP checklists;
- Participated in a meeting of the PRG and all assigned IEs; and
- Participated in a meeting of the IOUs, PRG, and all assigned IEs

1.2.4 Statewide Upstream/Midstream HVAC

SDG&E's Statewide Upstream and Midstream Heating, Ventilation, and Air Conditioning (HVAC) solicitation seeks third-party energy efficiency programs that provide a comprehensive, innovative, and cost-effective turnkey statewide HVAC energy efficiency resource program for residential and commercial applications. The proposed program must use upstream and midstream delivery channels to provide reliable energy (kWh, kW, and therm) savings.

SDG&E issued its Statewide HVAC RFA on January 7, 2019. The Company held a bidder's conference on January 11, 2019. Abstracts were due on February 7, 2019. SDG&E presented the results of the abstract review process at its April 9, 2019 PRG meeting. SDG&E has completed the RFA stage of the solicitation and is preparing the RFP.

For this solicitation, the assigned independent evaluator, The Mendota Group, has been involved in and monitored the following activities to date:

- Reviewed and recommended changes to the RFA documents;
- Reviewed IOU compliance with CPUC decisions and orders;
- Monitored communications between the IOU and the PRG;
- Reviewed and recommended improvements to the communications between the IOU and bidders;
- Drafted monthly reports on the solicitation for the PRG;
- Provided monthly presentations on the solicitation to the PRG;
- Attended monthly meetings between the IOU and the PRG;
- Assisted in the tracking and IOU response to all PRG and other stakeholder (internal IOU) comments;
- Reviewed and recommended improvements to the IOU’s responses to bidder questions;
- Attended the bidder webinar on the RFA;
- Read and evaluated every bidder abstract package received;
- Participated in IOU review team discussions and scoring sessions;
- Participated in IOU review team and management discussions to develop shortlist of RFA bidders to proceed to RFP stage;
- Reviewed and recommended changes to the RFP documents;
- Engaged in discussions with individual PRG members to clarify Commission intent with regard to specific evolving subjects, such as PFP pricing, NMEC M&V requirements, IDSM, Support Services, etc.;
- Reviewed IOU compliance with PRG guidance provided as RFA and RFP checklists; and
- Participated in a single meeting between the PRG and all assigned IEs.

1.2.5 Statewide Plug Load & Appliance

Approximately 66 percent of California’s current residential consumption is comprised of plug load. By 2024, this plug load consumption is expected to grow to 77 percent.⁴ SDG&E’s statewide Plug Load & Appliance solicitation seeks a comprehensive, innovative, and cost-effective turnkey statewide plug load and appliance (PLA) energy efficiency resource program for residential applications. The statewide PLA is funded by all four California IOUs up to \$29 million annually over a three-year contract period. SDG&E, as the lead administrator, is responsible for conducting the solicitation and administering the program on behalf of the funding IOUs.

During this period, the IE reviewed the RFA materials and provided detailed comments and recommendations to SDG&E. The IE also reviewed and confirmed SDG&E’s specific responses to all PRG and IE comments. The IE also provided updates on the statewide PLA solicitation to the PRG at the monthly IOU PRG meetings.

Consistent with SDG&E’s energy efficiency program solicitation schedule⁵, SDG&E released an RFA for the Statewide PLA program on May 10, 2019.

⁴ SDG&E’s Business Plan.

⁵ <https://www.sdge.com/more-information/doing-business-with-us/energy-efficiency-third-party-solicitations>

1.3 Assessment Summary

1.3.1 Solicitations

Currently, three of the four IEs for SDG&E have been assigned to solicitations. Generally, engagement with the three assigned-IEs in the development of RFA and RFP documents as well as during evaluations has been very good with no major issues or challenges. The IOU has actively sought input from the assigned IEs on issues as they have arisen and has attempted to address all issues the assigned IEs have raised, whether on the IEs' or the PRG's behalf.

Issues noted by of the IEs and proposed recommendations are reflected in Table 1.3.1 below:

Table 1.3.1 Engagement with Solicitations		
Topic	Issue	Recommendation/Solution
Updating Solicitation Schedule	SDG&E is in the process of testing and rolling out an internal SharePoint site that will facilitate file sharing of solicitation schedules, comment trackers, and other solicitation documents. This may be a best practice for other IOUs that employ a SharePoint site to manage and share documents with the IE and PRG.	Solicitation documents should be frequently updated as changes occur and shared with the IE and PRG through a shared website such as SharePoint
Expand Solicitation Communication Plan	Solicitation outreach strategies are typically limited to registered PEPMA users through the California Energy Efficiency Coordinating Committee (CAEECC) website. SDG&E and the other IOUs have created dedicated websites for the new generation of EE program solicitations and all IOUs use either Ariba or PowerAdvocate systems to manage solicitations and communications to participating bidders.	Consider using CAEECC website to promote solicitation awareness in combination with IOU-dedicated solicitation webpages and systems (i.e., PowerAdvocate, Ariba). IOUs should leverage relationships with relevant industry associations to create greater awareness regarding upcoming solicitations, including likely expected RFA release timeframes and an estimate of contract budget.
Future Changes to CPUC-Approved Contracts	Program modifications are likely to occur through the program contract lifecycle. It is uncertain as to whether proposed changes to program, including budget, must be re-approved through the CPUC's advice letter process.	Recommend CPUC advice letter process provide IOUs with the flexibility they need to efficiently and effectively respond to contractor performance and market changes.
Extensive Solicitation Timeline	Some solicitations have excessive timelines, well beyond a reasonable solicitation length.	SDG&E should strive to keep solicitation durations to less than 12 months, including RFA development through CPUC contract approval and implementation plan upload to CPUC's website.

Table 1.3.1 Engagement with Solicitations

Topic	Issue	Recommendation/Solution
<p>Improved Communication of IOU Solicitation Schedule Among External Stakeholders and Bidder Community</p>	<p>The existing joint IOU consolidated solicitation timeline is no longer adequate to communicate the status of current and upcoming solicitations to the CPUC, the bidder community, between IOUs, among PRGs, and across all program administrators. The current timeline provides general timeframes by quarter for three high level solicitation stages: RFA, RFP, and program launch.</p>	<p>To greatly improve communication among all stakeholders, the current joint solicitation schedule should be updated to include:</p> <ul style="list-style-type: none"> • Discreet program solicitation stages by expected start and completion date (by month, not quarter) for each solicitation. • Continuous (preferably bi-weekly) updates to the joint schedule to support timely communication of changes to schedules. • Coordinated schedule with CPUC Energy Division for orderly review of upcoming advice letters. • Collaboration with CAEECC to allow for orderly vetting of draft implementation plans.⁶
<p>Threshold for Advice Letter Filing</p>	<p>A program implementation period (i.e., the period when a program is open to new participants) is typically 36 months with additional months added to address program ramp-up and close-out activities. Thus, it is likely that all contracts, regardless of size, will exceed the 3-year threshold for filing an advice letter.</p>	<p>Clarify the 3-year contract term threshold applies only to the program’s implementation period (i.e., open to new participants).</p>
<p>Re-evaluate the PEPMA Site as a Statewide Portal</p>	<p>Now that some of the IOUs are using dedicated sourcing tools (e.g., PowerAdvocate), it is uncertain how PEPMA should be used and whether there are other alternatives available to expand outreach to the bidder community.</p>	<p>The IOUs should coordinate and conduct a simple, low-cost survey of registered PEPMA users on the perceived benefits of having PEPMA as a statewide portal. A possible alternative could be to evolve the CAEECC’s website into the central site for general information on program solicitations with links directly to each IOU-dedicated program solicitation web pages.</p>

⁶ D. 18-05-041, p. 16

1.3.2 IEs’ Working Relationship with the PRG

The SDG&E IEs have appreciated the input provided by the PRG to date.

A PRG communication plan is in development. It is anticipated to provide greater clarity about how IEs and PRG members should work together. However, IEs believe the solicitation process would benefit from additional opportunities for IE-PRG communication in order to address and resolve emerging issues in a timely fashion. Currently, monthly PRG meetings are the primary opportunity for the IE to present issues and discuss possible solutions with the PRG. This venue does not provide sufficient time for collaborative discussion nor timely resolution of issues. The PRG Communication Plan should provide ways to increase communication among the IE and the PRG.

1.3.3 IEs’ Engagement with the IOU

SDG&E has assigned individual IEs to each solicitation. The IOU relies exclusively on the assigned IE to advise on the development of RFA materials and emerging issues. SDG&E does not rely on its collective IE pool to advise on the initial development of key solicitation materials.

A summary of the emerging and overarching issues and recommended solutions by the IEs are presented below. Due to the sensitive nature of the program solicitations some emerging issues cannot be presented in the public section of this Report. All identified issues are presented in the non-public section for CPUC review and consideration.

Issues noted by of the IEs and proposed recommendations are reflected in Table 1.3.3 below:

Table 1.3.3 Engagement with IOUs		
Topic	Issue	Recommendation/Solution
Leverage Experience and Skill of the Collective IE Pool	When IOUs are issuing broad-based, multi-sector solicitations or developing standardized RFA, RFP, or contract templates, it can be beneficial to draw upon the collective resources of the IOU’s IE pool.	Transition away from IE segregation to a more collaborative approach that enables the collective IEs to consult the IOU and its PRG on multi-sector solicitations, and development of standard documents and processes that support more efficient review of future solicitations.
Need for IOU-IE Coordination Monthly Meeting	There is no mechanism currently established for SDG&E’s IE pool to cross-pollinate and to share lessons learned.	Establish a monthly coordination meeting that will improve communication among IOU and IEs and enable active discussion of PRG agenda, presentations, review schedules, emerging common/crossover issues/challenges.
Adopt SDG&E Project Scheduling Approach as a	SDG&E has developed a detailed project schedule for each solicitation.	This tool should be considered a best practice to be applied to all

Table 1.3.3 Engagement with IOUs		
Topic	Issue	Recommendation/Solution
Statewide Best Practice		IOU solicitations. Beyond a management tool for the IOU, standard project schedules are likely to improve communication to the PRG and other stakeholders.
Improved Communication of IOU Solicitation Schedule Among External Stakeholders and Bidder Community	The existing joint IOU consolidated solicitation timeline is no longer adequate to communicate the status of current and upcoming solicitations to the CPUC, the bidder community, between IOUs, among PRGs, and across all PAs. The current timeline provides general timeframes, by quarter, for three high level solicitation stages: RFA, RFP and program launch.	To greatly improve communication among all stakeholders, the current joint solicitation schedule should be updated to include: <ul style="list-style-type: none"> • Discrete program solicitation stages, by expected start and completion date (by month, not quarter) for each solicitation. • Continuous (preferably bi-weekly) updates to the joint schedule to support timely communication of changes to schedules. • Coordinated schedule with CPUC Energy Division for orderly review of upcoming advice letters. • Collaboration with CAEECC to allow for orderly vetting of draft Implementation Plans.⁷

1.3.4 IEs’ Perception of the PRG’s Working Relationship with the IOU

Generally, assigned IEs have found that SDG&E’s solicitation process has run smoothly but believe that the company could improve its responsiveness to PRG comments and recommendations. In the RFP development stage, the PRG raised concerns about SDG&E not following the agreed upon process regarding providing the PRG opportunity to offer comments before finalizing the RFP for release. SDG&E concluded that they should have allowed time for the PRG to submit comments and has committed to provide that opportunity in the future. As the first IOU to issue solicitations in the third-party process, SDG&E had to navigate the process with few precedents and while the PRG developed their guidance documents.

⁷ D.18-05-041, p.16.