BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of Energy Efficiency Rolling Portfolio Business Plan.	Application 17-01-013 (Filed January 17, 2017)
And Related Matters.	Application 17-01-014 Application 17-01-015 Application 17-01-016 Application 17-01-017

SAN DIEGO GAS & ELECTRIC COMPANY'S (U 902-M) SOLICITATION PROCESS PROPOSAL

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Pursuant to the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judges, dated April 14, 2017 (Scoping Ruling), and the Administrative Law Judges' Ruling Modifying Schedule Ruling, dated June 9, 2017 ("Scheduling Ruling"), San Diego Gas & Electric Company ("SDG&E") submits its Solicitation Process Proposal, as hereto attached in Attachment A. SDG&E provides it responses to the July 26, 2017 Energy Division Third Party Solicitation Proposal Guidance in Attachment B. Attachment C provides the consolidated solicitation timeframes for SDG&E, Pacific Gas and Electric Company, Southern California Edison Company and Southern California Gas Company.

Respectfully submitted,

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ATTACHMENT A
ROLLING PORTFOLIO SOLICITATION PROPOSAL

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SAN DIEGO GAS & ELECTRIC COMPANY
BUSINESS PLAN SOLICITATION PROPOSAL

I. OVERVIEW

San Diego Gas & Electric Company (SDG&E) is pleased to present to the Commission its Business Plan Solicitation Proposal, which provides more details about the solicitation strategy presented in its Business Plan. This proposal incorporates many of the details previously provided in response to the June 9, 2017 Administrative Law Judges' Ruling Modifying Schedule Ruling. Many aspects of this proposal are common to the investor owned utilities (IOUs), Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SCG), and SDG&E, which is a result of coordination between the IOUs.

The following sections of the proposal will address the areas pertinent to the success of the solicitation: (1) solicitation oversight through the Independent Evaluator (IE) and Peer Review Group (PRG); (2) outreach and training for potential bidders; (3) coordination of statewide programs and local program solicitations between Program Administrators (PAs); and (4) transitioning implementation of current programs to new programs.

II. SOLICITATION GOAL

Upon CPUC approval, SDG&E will begin the sector based solicitation strategy that is detailed herein. With a goal of reaching a minimum of 60% outsourcing to third party implementers, SDG&E will begin targeting those programs that are currently implemented by third parties and align with the strategies outlined in the business plan. SDG&E intends to issue solicitations for broad sector and market offerings, not for specific programs. For Statewide programs, SDG&E plans to issue a solicitation for upstream, midstream and downstream HVAC programs as well as the PLA program. These statewide solicitations will be coordinated with and inform the local solicitations. As an example, in alignment with the commercial market characterization from the business plan, SDG&E will issue a solicitation for local programs that will serve the small and medium commercial market. Third party implementers will propose their program designs based on goals and strategies included in the business plan. Third parties that align with the business plan and best help to meet the goals will be selected. Once the solicitations are completed, SDG&E will have a better understanding of the programs that will be included in the portfolio. Any existing or legacy programs that offer duplicate or similar elements with the newly selected third party programs will be ramped down in time for the new programs to ramp up. SDG&E will design and implement its own local programs only if there are any gaps not covered by the new third party programs.

SDG&E is coordinating with the other IOUs to determine the feasibility of outsourcing various program support functions at a statewide level. SDG&E will carefully consider balancing these efforts with the need for adequate quality control to ensure that savings claims are accurate and compliant. To this end, and per Commission direction, SDG&E will retain responsibility for ensuring that goals are achieved and the savings claims meet regulatory requirements.

III. OBJECTIVES

The objectives of this proposed solicitation strategy are two-fold:

a. To achieve higher levels of energy efficiency for customers in support of California's aggressive goal to double energy efficiency by 2030 through the inclusion of innovative third party implementer program designs; and,

b. To create a smooth and seamless transition to a new portfolio administrative structure that benefits California, customers, and the energy efficiency provider industry.

IV. COMMISSION KEY POLICIES

The Commission provided direction in D.16-08-019 intended to enable the transition of program implementation to more third party program implementers that are expected to provide innovative program designs to achieve both short and long-term savings.

D.16-08-019 requires utility PAs to outsource at least 60% of their portfolios to third parties by the end of 2020.[1] The Commission notes in D.16-08-019, "the past definition of third-party programs did not require that the third party have input and control over program design, which has resulted in a lack of clarity about what types of activities count as 'third party' under the existing rules."[2] D.16-08-019 clarifies third party programs "must be proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility [PA]."[3] While third parties will be responsible for leading program design, the Commission recognized that "utilities may consult and collaborate, using their expertise, on the ultimate program design implemented by the third party."[4] This clarification aligns with the Commission's intention "to push the utilities to focus more on their role as determiners of 'need' and portfolio design, and less on their role as program designers and implementers."[5]

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[1] D.16-08-019 Ordering Paragraph (OP) 12.

[2] D.16-08-019, Finding of Fact (FOF) 20.

[3] D.16-08-019 OP 10.

[4] D.16-08-019 COL 57.

[5] D.16-08-019, p. 71.

D.16-08-019 also requires 25% of each utility PA's portfolio budget to be comprised of statewide programs by the end of 2020, and clarifies that all upstream and midstream programs must be delivered statewide.[6] The Commission also expressed an interest in exploring the feasibility of the statewide approach for downstream programs, and requested the utility PAs propose at least four downstream programs to be piloted on a statewide basis in their Business Plans.[7]

The Commission provided the following definition of statewide programs in D.16-08-019:[8]

- They should be consistent across territories and overseen by a single lead PA
- They should be designed and delivered by one or more statewide implementers under contract to the lead PA
- They generally should not include local or regional variations in incentive levels, measure eligibility, or program interface

In addition, the Commission clarified that statewide programs could be considered third party to the extent that they meet the definition of third party programs in D.16-08-019.[9] The utility PAs intend to outsource statewide programs to the extent possible, in accordance with the definition of third party programs. Please refer to the solicitation timeline in Attachment C for a more detailed schedule of anticipated solicitations for statewide programs.

A. Statewide Programs

D.16-08-019 Ordering Paragraph (OP) 5 redefines statewide programs to be as follows:

> A program or subprogram that is designed to be delivered uniformly throughout the four large investor-owned utility service territories. Each statewide program and/or subprogram shall be consistent across territories and overseen by a single lead

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[6] D.16-08-019, OPs 5 and 6.

[7] D.16-08-019, OP 9.

[8] D.16-08-019, OP 5.

[9] D.16-08-019 OP 10.

> program administrator. One or more statewide implementers, under contract to the lead administrator, should design and deliver the program or subprogram. Local or regional variations in incentive levels, measure eligibility, or program interface are not generally permissible (except for measures that are weather dependent or when the program administrator has provided evidence that the default statewide customer interface is not successful in a particular location. Upstream (at the manufacturer level) and midstream (at the distributor or retailer level, but not the contractor or installer level) interventions are required to be delivered statewide. Some, but not all, downstream (at the customer level) approaches are also appropriate for statewide administration. Statewide programs are also designed to achieve market transformation.

These statewide programs should comprise at least 25% of the PA portfolio budget.

To implement this direction, PG&E, SDG&E, SCE and SCG have each proposed to be the lead program administrator (PA) for several new statewide programs. The following is a summary of the proposed statewide programs together with the lead PA.

Statewide Program Administrator	**Program**
PG&E	Codes & Standards • Building Codes Advocacy • Appliance Standards Advocacy
PG&E	Financing Pilots
PG&E	Workforce Education & Training • K-12 Connections
PG&E	State of California Institutional Partnership-CDCR and State of California
SCE	Commercial New Construction —Savings by Design
SCE	Emerging Technologies — Electric
SCE	Lighting • Primary Lighting • Lighting Innovations • Lighting Market Transformation
SCE	UC/CSU Institutional Partnerships

SDG&E	HVAC — Residential and Commercial Upstream
SDG&E	Plug Load and Appliance (PLA)
SCG	Emerging Technologies — Gas
SCG	Residential New Construction

Together with these statewide upstream/midstream programs, the Commission also directed the utilities to pilot the use of statewide approach on some downstream programs to test the use of common elements, albeit with regional and local variations. The following are the downstream program proposals:

Statewide Program Administrator	**Program**
PG&E	Career and Workforce Readiness
SCG	Food Service Rebate[10]
SCE	Wastewater Pumping
SDG&E	Residential HVAC Quality Installation/Quality Maintenance (QI/QM)

B. Third Party Programs

D.16-08-019 OP 10 also provided an updated definition of third party program.

> To be designated as "third party," the program must be proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility

[10] *See* Motion Of Pacific Gas And Electric Company (U 39-M) For Leave To Amend Its Application For Approval Of Its 2018-2025 Rolling Portfolio Energy Efficiency Business Plan And Budget (July 3, 2017), and Joint Response Of Southern California Gas Company (U 904 G), San Diego Gas & Electric Company (U 902 M) And Southern California Edison Company (U338 E) To The Motion Of Pacific Gas And Electric Company (U 39-M) For Leave To Amend Its Application For Approval Of Its 2018-2025 Rolling Portfolio Energy Efficiency Business Plan And Budget (July 11, 2017), which discuss the replacement of PG&E's Indoor Agriculture program with SCG's Food Service Rebate program.

> program administrator. Statewide programs may also be considered to be "third party" to the extent they meet this definition. Under this definition, program administrators are not prohibited from advising third parties on program design elements once third party bids have been solicited.

Each PA has included a solicitation proposal to implement this updated definition of third party program. Furthermore, the Commission also directed that the business plans should include a transition plan to outsource at least 60% of its portfolio to third parties by the end of 2020 from the current requirement of at least 20%.

V. APPROACH TO SECTOR AND STATEWIDE PROGRAM SOLICITATIONS

For SDG&E and all IOUs to comply with the parameters of "third-party" programs for program design, implementation, and delivery, a solicitation approach is needed that ensures opportunities for the market to bid on both sector and statewide programs. The approach must also ensure that while the IOUs receive proposals that include consideration of the future potential of energy efficiency, market trends, regulatory guidance, and legislative requirements, those proposals also support the mandated savings and metrics goals for each portfolio. Most importantly, the solicitations must identify opportunities and gaps in each portfolio and service territory and allow the market to submit proposals that meet customer needs. The following description of the solicitation strategy will apply to statewide, regional, and local program solicitations for each IOU.

Utilizing the best practices and strategies outlined in this document, SDG&E intends to procure quality services that will balance scope, methodologies, contractor expertise, and sufficient program timeframes, while ensuring fair pricing for the delivery of quality services for the benefit of SDG&E's customers and ratepayers.

A. Solicitation Types

The utilization of either a single stage solicitation or a two-stage process as described below will allow flexibility for each IOU and help meet the requirements of each solicitation. At this time, SDG&E anticipates utilizing the Single Stage Solicitation with a Two-Step Process.

1. Single Stage Solicitation with a Two-Step Process:

Step 1: Solicitation submitted to the market for response, with a down selection to a smaller number of qualified bidders following scoring and evaluation of bids.

Step 2: Qualified bidders are asked targeted and specific questions, and provide presentations and in-person interviews to answer and clarify those questions.

2. Two Stage Solicitation

Step 1: Request for Abstract is initial market submittal, with a down selection to a smaller number of qualified bidders following scoring and evaluation of abstracts.

Step 2: Request for Proposal is submitted to the small number of identified and qualified bidders, possibly resulting in targeted questions and in-person interviews with the bidders.

B. Solicitation Timeframe

SDG&E anticipates the solicitation timeframes may vary, based on the type of solicitation (i.e. open, statewide, IDEEA 365, targeted, etc.) and on the complexity required for the responses. It is anticipated, however, that most solicitations will follow standard steps, which are outlined here. It is important to note that these are approximate and general timeframes.

Step One: Solicitation Preparation (1-2 Months)

During this timeframe, SDG&E will work to develop the solicitation and the requisite 'request for proposal (RFP)' documentation. Activities will include identifying the type of solicitation ('statewide program,' 'third party program,' sector and program area, intervention strategy, request for offer or proposal, etc.) and writing the scope of work. During this time, all RFP documentation (general terms and conditions) will be prepared and collated for release with the scope / solicitation. The evaluation criteria and vendor scorecards will also be developed during this preparation timeframe.

Also during the preparation, the PRG and I/E will be engaged. This assumes that the PRG process and requirements have been identified and agreed upon by the CAEECC, the CPUC and the IOUs for these solicitations. As with the current process, the PRG and I/E will receive the Scope of Work for review and will be asked to provide feedback, which may then be incorporated into the final release of the solicitation.

Step Two: Solicitation Release (1 Month)

This step begins with final assembly of all documents for RFP submittal. SDG&E's internal Supply Management team will provide review and ensure completion of legal review if required. Once the procurement and legal review are complete, management/leadership review in Customer Programs (if required) will also be completed.

Two weeks prior to the release of the solicitation, SDG&E will notify contractors and implementers of the upcoming solicitation and release date with a notice on the statewide solicitation system, Proposal Evaluation & Proposal Management Application (PEPMA).[11] This notice will include the type of solicitation - 'statewide program,' 'third party program,' sector and program area, intervention strategy, request for offer or proposal, etc. – and any 'pre-

[11] PEPMA website available at https://www.pepma-ca.com/Account/Login.aspx?ReturnUrl=%2fRegistration1.aspx.

qualifications' that are required (e.g. licenses, experience in energy management, etc.). The contractors and implementers will be instructed how to register for the solicitation and will be directed to SDG&E's Power Advocate site for further detail.

The Solicitation Release will take place in Power Advocate on the specified date.

Step Three: Solicitation Response and Evaluation (2–3 Months)

During this time, SDG&E will host a Bidders' Conference and respond to questions from contractors and implementers to ensure that they have the information that they need to provide a comprehensive response to the solicitation. To ensure fairness, all questions submitted by solicitation participants and SDG&E's corresponding responses will be posted publicly so that all respondents have equal access to all solicitation information.

Bids will be submitted to SDG&E and the evaluation will take place. SDG&E's evaluation team will work to compile scores and scorecards and develop a recommendation for top bidders. The IE will be consulted during the evaluation to ensure fairness and accuracy in the process. The PRG will be notified of the top bidders and the down-selection process followed to get to that recommendation.

The top bidders may be invited to SDG&E for interviews, proposal presentations and final evaluation. Evaluation criteria will also be utilized for this crucial interview process to aid in final recommendations.

Step Four: Solicitation and Contract Recommendation (1 Month)

The SDG&E evaluation team will finalize its recommendation for the winning proposal, and will present that recommendation to management and leadership to seek approval of the selection.

Upon internal approval, SDG&E will present its final selection to the PRG and IE. At this point, the selected contractor/implementer(s) will be notified of the opportunity to begin program development and contract negotiation. Note that unsuccessful bidders will not be notified until the successful bidder and SDG&E reach agreement and contracts are executed.

Step Five: Contract Negotiation Process (1–4 Months)

Contract negotiation to finalize pricing, general terms and conditions, and specific terms based on program requirements will take place. The activities around contract negotiation include coordination with program staff, utility personnel, and the third parties to bring the expertise of all areas to bear for finalization of the statement of work (SOW). Additionally, SDG&E will work together with its Supply Management and Legal teams on the internal contracting requirements.

Upon agreement on all terms and conditions and the SOW between the parties, SDG&E will move forward with Supply Management to achieve agreement execution.

Step 6: Program Mobilization Process (6-9 Months)

Multiple activities must take place to complete the mobilization of a program. The outline below is high level, but covers the key areas that must be implemented during this time, including:

- Privacy Green Light / Data and Security approvals
- Contractor Safety review
- Implementation Plan development and review by stakeholders (CAEECC/CAEECC subcommittee)
- Implementation Plan revisions (based on CAEECC comments) and finalization
- Implementation Plan posting
- Accounting/Financial system set-up (Programs systems and AR/AP/CIS requirements)
- Measure coordination and program system development

- Program kick-off (internal and formal external kick-off)
- Solicitation and Program Mobilization Considerations

It is important to note again that these are high level descriptions and estimates which are based on assumptions that the solicitation would take six to eight months, and that contract execution following the solicitation could take up to four months. The other assumption made is that the questions and processes around the PRG – I/E will be resolved and will become a "seamless" part of the solicitation process.

These timelines are also based on the assumption that bids submitted by the contractors/implementers are adequate. The level of clarity provided in the solicitation will also support a concise, on-schedule, timeline.

Solicitation timeframes may vary depending upon scope and expected market response. The duration of each solicitation, from release date to selection is likely to range between five and eight months.

The IOUs have collaborated in the development and review of their respective solicitation timeframes and schedules. However, given the aggressive schedule to outsource both the Statewide and local third party programs, the solicitation release dates will be tailored to take into account the differences in service territories, business plan and portfolio requirements. The IOUs will continue to seek coordination in schedules, also keeping in mind market and bidder participation.

Please refer to Attachment C for the IOUs proposed consolidated solicitation schedule.

C. Solicitation Structure

SDG&E intends to utilize the following structure for Statewide and Third Party Solicitations. The IOUs agree that to ensure that the market understands and can respond to each solicitation with a quality bid, enough information must be given in the requests. The following represents the structure that has been shared in comments and at the Solicitation Workshop held on June 16, 2017. The elements that may be included are shown here:

Identification and Outline of the Opportunity or Gap for each solicitation:

- Who: Sector, segment, customer, etc.
- What: Resource/Non-Resource, link to metrics or targets (i.e. required savings metrics for a sector kW/therms)
- When: Discuss the delivery of the program during a specific timeframe (determination of success of program may be based on 'early indicators – xxx kWh in 6 months demonstrates success of the concept')
- Why: To meet one or more of the objectives and goals outlined in the business plan, and to improve overall service territory performance based on future potential, trends, etc.

Third Party contractor(s) and implementer(s) propose the approach/solution (i.e., the how) in response to the solicitation:

- Propose solution
- Design program
- Develop implementation plan
- Deliver results

It is during the contract negotiation period that the IOUs will work together with the selected contractor or implementer (IOU and third party interaction on program design, in accordance with D.16-08-019, p. 74) to further develop any features and components of the proposed programs to meet the identified gaps and opportunities.

The combined expertise of the IOU personnel and third parties will result in the development of the final program design. These development activities will be finalized through drafting the implementation plan.

SDG&E believes that utilizing the above-described blueprint will help ensure that the solicitations are comprehensive and that the market can respond with proposals that will meet the needs of each service territory and its customers.

D. Sector and SDG&E-Led Statewide Solicitations

As described in its business plan, SDG&E will procure both Statewide and local programs through competitive solicitations, utilizing the methods and strategies described herein. The solicitations will be organized by sector, but requirements for cross-cutting interventions and innovation may also be solicited. The following section summarizes the planned solicitation approaches for each sector's statewide and local programs.

1. Residential Sector

a. Statewide programs

SDG&E will be the statewide administrator for the Residential and Commercial Upstream HVAC, Statewide Plug Load and Appliance, and Residential QI/QM programs.

SDG&E will lead the statewide request for proposals (RFP) effort for the Residential and Commercial Upstream and Midstream HVAC program. This effort will require participation by all funding IOUs, and will draw input from relevant stakeholders that do not have a conflict of interest. The RFP will call for proposals to address the program's primary objectives as discussed in SDG&E's Business Plan.[12] The IOUs will also encourage and invite creative proposals that include Plug Load and Appliance offerings and consider a variety of implementation options, including scenarios that involve one or more statewide implementers.

Since SDG&E is also the Statewide Administrator for upstream and midstream HVAC and QI/QM, this provides an opportunity to take a holistic approach to ensure that all channels (upstream, midstream and downstream) are fully integrated and complimentary to maximize both energy and cost savings through economies of scale. A solicitation will be issued to garner innovative program ideas from external experts.

b. Local Programs

SDG&E intends to offer a selection of third-party programs designed to serve the Residential sector. These offerings are based both on legislative direction and SDG&E's analysis of the needs of its residential customers, as discussed in its business plan.[13] Specific third-party programs will be designed by the implementers, but SDG&E's business plan envisions third-party offerings that may include the following elements:

- Working with third-party implementers, SDG&E will seek to integrate new energy management technologies that can help save energy.
- To comply with AB 802, SDG&E may use third-party program providers to design offerings that can inform landlords, tenants and homeowners about how their buildings compare to similar structures. Third parties will also be engaged to help create programs that allow customers to leverage opportunities created by AB 802's approach to baselines.
- SDG&E will introduce opportunities to enable third parties to achieve deeper savings through pay for performance models.
- Provide owners and property managers with the ability to aggregate single buildings into a portfolio of assets and work with third-party implementers to bundle offerings.

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[12] Business Plan, p. 18.

[13] Business Plan, pp. 32–61.

2. Commercial Sector

a. Statewide Programs

SDG&E will be the statewide administrator for the Commercial Upstream HVAC program. The solicitation strategy and transition timeline for this program is described above under Section 1.a. (Residential Sector) above.

b. Local Programs

SDG&E intends to offer a selection of third-party local programs designed to serve the Commercial sector. These offerings are based both on legislative direction and SDG&E's analysis of its service territories' unique customer composition, as discussed in its business plan.[14] Specific third-party programs will be designed by the implementers, but SDG&E's business plan envisions third-party offerings that may include the following elements:

- The Existing Buildings Energy Efficiency Action Plan (AB 758) aims to improve efficiency within commercial buildings and SDG&E plans to address this need by surmounting the "split incentive" barriers by working with third-party program providers to design offerings that maximize the value of properties and the businesses that operate inside them.
- AB 802's existing conditions baseline policies will be incorporated into commercial sector offerings and play an important role in selecting third-party providers to manage programs that use approaches afforded by the statutory change.
- SDG&E will work with third-party implementers to design and deliver a comprehensive, "concierge approach" that maximizes landlord and tenant value while minimizing the impact to both the landlord and tenant businesses.

In addition to pursuing these offerings, SDG&E is committed to working with potential third-party program implementers by:

- Establishing a clear schedule for anticipated solicitations;
- Collaborating with third-party program implementers to provide input on selected program design;
- Publishing, within the confines of protecting customer privacy, information about customer energy use and other trends, to better enable implementers that respond to

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[14] Business Plan, pp. 62–93.

open solicitations to propose programs that meet SDG&E's energy efficiency program needs;

- Coordinating with other PAs to establish consistent solicitation schedules and, where appropriate, common language and methods of having a structured dialogue with implementers; and
- Increasing the number of potential third-party program implementers by conducting trainings, creating self-help tools for bidders, and establishing platforms that enable greater levels of participation.

3. Industrial Sector

a. Local Programs

SDG&E intends to offer a selection of local third-party programs designed to serve the Industrial sector. These offerings are based both on legislative direction and SDG&E's analysis of its service territories' unique customer composition, as discussed in its business plan[15]. Specific third-party programs will be designed by the implementers, but SDG&E's business plan envisions third-party offerings that may include the following elements:

- Because different industries within the industrial sector often require very specialized skills, SDG&E intends to increase its use of third-party contractors with industrial experience to double the sector's participation. Third-party offerings may include:
  - Audits and Benchmarking
  - Energy Management Plans
  - Financing, and/or
  - Incentives
- More specifically, SDG&E will leverage third-party community knowledge and expertise to design programs that provide customers assistance in benchmarking their facilities and using this information to develop actionable energy management plans.
- As with other sectors, SDG&E will provide customers with longer-term, more comprehensive solutions. One key element of this migration is the Strategic Energy Management (SEM) program that is designed to encourage customers to take a long-term approach to energy efficiency and sustainability.
- SDG&E anticipates enlisting the assistance of a third-party implementer to design, develop, and implement an EE program offering specific to the Port of San Diego and customers therein.

[15] Business Plan pp. 136 – 159.

- AB 802's provisions related to use of an existing conditions baseline will enable SDG&E to work with third-party providers and customers to create programs and identify projects that can benefit from this new approach. This effort will include expanding ways that SDG&E can provide pay-for-performance incentives for savings based on normalized-metered energy consumption (NMEC).
- Educate and train industrial customers on how to identify process savings and how to achieve deeper savings through SEM.

4. Agricultural Sector

a. Local Programs

SDG&E intends to offer a selection of third-party local programs designed to serve the Agricultural sector. These offerings are based both on legislative direction and SDG&E's analysis of its service territories' unique customer composition, as discussed in its business plan.[16] The use of third-party implementers is SDG&E's primary strategy for achieving the goal of doubling EE participation in this sector. Thus, SDG&E plans to leverage third-party implementation in the following manner:

- SDG&E's market analysis and review of its current approach indicate that two major changes are necessary. First, the general non-residential program offerings must be combined and customized for the agricultural sector. Doing so will enable design of an offering focusing on the needs of agricultural customers. Second, communications and marketing must be sector and sub-sector specific.
- While the details of the agricultural program offering(s) will be designed by the selected implementers, SDG&E will seek to find third parties that can provide offerings that include:
  - Energy management systems and emerging technologies;
  - Collaborating with trade associations to educate sector leaders;
  - New operation and maintenance training;
  - Expanding financing options through the new IOU financing pilot programs and other financing products; and
  - Developing agricultural EE case studies.
- Educate and train agricultural customers to identify process savings and how to achieve deeper savings through Strategic Energy Management.

[16] Business Plan pp. 160 - 183.

- SDG&E will support third party program administrator(s) in their incorporation of embedded energy savings in their savings and incentive calculations.
- While the details of the agricultural program offering(s) will be designed by the selected implementers, SDG&E will seek to find third parties that can provide offerings that include:
  - Addressing water saving solutions;
  - Partnering with water agencies to develop shared offerings; and
- Water/energy management systems and emerging technologies.

5. Public Sector

a. Local Programs

SDG&E developed the public sector goals and strategies to capture additional savings beyond those that existing program designs have been able to achieve. Specifically, in pursuit of higher levels of energy savings from the public sector, SDG&E will work with customers and third-party implementers to create programs tailored to the sector's unique needs, as discussed in its business plan,[17] and tie the efforts together with customer action plans. Specific third-party programs will be designed by the implementers, but SDG&E's business plan describes a few tactics that may be implemented by third-parties to support the goal of eliminating barriers to participation:

- Comprehensive Audits
- Whole Building Approach
- One-Stop Shop

6. Workforce Education & Training (WE&T)

It should also be noted that, within the various sectors, the cross-cutting program Workforce, Education and Training, will continue to promote market acceptance by educating trade professionals on how to maximize sales through the value proposition, and ensuring that a

[17] Business Plan, pp. 94-135.

skilled and trained workforce properly installs and maintains equipment leading to greater savings. SDG&E anticipates a solicitation for a local program to support these local needs.

E. General Scoring Criteria

To improve bidder understanding of IOU expectations and the quality of program bids, the following section provides potential third-party contractors and implementers an understanding of the program selection process and the general criteria that may be applied to statewide and local program solicitations. The list of criteria presented may not be all-inclusive nor universally applicable to all solicitations.

1. Conformance Threshold

a. Minimum Threshold Performance

Before proposals are fully reviewed and scored they must pass a minimum threshold review. As part of the minimum requirements, each bid is reviewed for completeness, consistency, accuracy, and conformance with the general requirements identified in the corresponding RFA/RFP. In some instances, specific qualification criteria (e.g. financial stability) may be stated in the RFA/RFP and assessed during this threshold review.

b. Proposed Program Design

Bid proposals are scored based on how well the proposed program design addresses the gaps and opportunities outlined in the RFA/RFP. Applicable scoring criteria may include, but is not limited to, review of the proposed program's process flow and work plan, market approach, outreach plan, effectiveness, and feasibility as well as any applicable measurement and verification considerations.

c. **Relevant CPUC EE polices**

The review will consider how the proposal satisfies the directives of the California Public Utilities Commission and responds to legislative mandates and other regulatory requirements.

2. **Cost:**

a. **Cost efficiency**

Bids are typically scored on how cost-efficient the proposed program can be delivered. Generally, there are two types of analyses that may be applied: acquisition cost (i.e., $/Therm, $/MW and/or Cents/kWh) and/or Program Administrative Cost levelized costs (direct program cost/lifecycle benefits). This cost-efficiency review is typically done in conjunction with a cost-effectiveness review.

b. **Cost effectiveness**

The PAs are required, per Commission policy, to present, on prospective basis, a cost-effective program portfolio that meets or exceeds a threshold of 1.0 for both the TRC and PAC tests. The PAs typically apply this requirement for resource programs in the bid review process, striving for a portfolio of selected bids that achieves a TRC and PAC of at least 1.0. Recognizing that the Commission does not require this level of scrutiny at the program level, and to encourage longer-term energy savings (i.e., measures/programs that are not yet cost-effective but are expected to be in the long-term), cost-effectiveness thresholds may vary among solicitations.

Regardless of any specific threshold cost effectiveness requirement(s) included in a solicitation, the PAs will generally seek to procure cost-effective third-party programs, whether they are a resource or non-resource program. Proposed program designs that are most cost effective will likely receive higher scores on this criterion.

3. Feasibility:

a. Likelihood for Success

The proposed program is reviewed and scored based on the design elements, outreach plan, and the likelihood of a positive response by the targeted customer segment(s).

b. Innovation

Proposed program scoring includes evaluating how new or existing technologies are used and/or combined to improve achieving savings in new and innovative ways. It also considers the possibilities of new channels, outlets, and spillover to measures outside of the program. Also, innovation can be an improvement on existing program design and/or delivery that produces enhanced results, increased cost-efficient delivery and/or improved program cost-effectiveness.

4. Capabilities & Experience:

a. Program Implementation and Market Experience

Another consideration is the capabilities of the bidder. If applicable, a review of past program performance is conducted. Typically, bidder's past performance is evaluated on: energy savings achieved compared to goals, and actual spending compared to budget.

b. Company Capabilities

Based on information requested in the RFP, the third party's company capability is evaluated in terms of its experience, size, location, and past contract performance with PAs, if applicable.

c. Expertise and Staffing

Based on information requested in the RFP, the IOUs may evaluate the applicable expertise of the bidder's staff. In addition to evaluating these capabilities, the PAs will judge the bidder's commitment to staff the proposed program with those individuals who have the claimed relevant expertise and experience.

5. Diversity:

a. Smaller Specialized Firms

Scoring criteria includes consideration for bidders who do not have direct Energy Efficiency program experience but that can demonstrate consistent success in reasonably similar types of programs.

b. Diverse Business Enterprises (DBE)

As part of the proposal requirement, a DBE commitment form is included and scored according to how the bidder will contribute to DBE goals set by SDG&E. set by Company management.

6. Measurement & Verification (M&V) Expectations

SDG&E will seek third parties to propose embedded M&V designs in their bids for third-party programs and include an M&V plan in their proposals. After one or more third-party implementers is selected, SDG&E will work with such parties to refine their proposals for embedded M&V before a program is launched.

VI. TRANSITION FROM EXISTING PROGRAMS TO NEW THIRD PARTY PROGRAMS

The requirement to outsource to more third-party implementers for both statewide and local programs and the shift from existing third-party programs to new ones solicited as part of the business plans' implementation may, in some cases, necessitate a transition from one implementer to another. There are two primary situations that need to be addressed; transition from programs currently implemented by SDG&E to implementation by third parties and transition from programs currently implemented by third parties to implementation by new third parties. Both situations might apply to statewide or local programs.

A. Transition from IOU Implementation to Third-Party Implementation

While potentially a major change for the market, the transition from SDG&E implementation to third-party implementation is contractually simpler than a transition between two third-party implementers, but may still result in some customer facing challenges. The implementation of such programs can be assumed by a third-party on any date agreed to by both the new implementer and SDG&E and after both parties agree that transitional tasks have been performed by each and all startup tasks have been or are ready to be conducted by the third-party implementer. The third-party will assume all implementation responsibilities as of this transition date.

It may, however, take time for customers to adjust to customer facing activities performed by contractors rather than SDG&E. As is the case with many utilities, customers in the San Diego region are generally receptive to contact with SDG&E; however, these same customers may be less receptive to contact with an unknown contractor. Such situations are mostly likely to occur with residential and smaller non-residential customers who are not used to sustained working relationships with contractors. Thus, the customer transition may pose a challenge.

B. Transition from One Third-Party Implementer to Another Third-Party Implementer

The transition from one third-party implementer to another is less likely to face the same transition issues as the move from IOU implementation to third-party implementation. For programs and services already provided by third-party implementers, the introduction of one or more new contractors is less likely to provoke customer apprehension; however, SDG&E will need to carefully manage transition issues related to contracts and project implementation.

Depending upon the program design, it may be necessary for SDG&E to administer a transition period that allows both the old contractor(s) and the new contractor(s) to implement the program simultaneously. The duration of the transition period will depend upon the duration of ongoing projects being implemented by the former contractor(s). This transitional situation is best described through an example:

> A program performs comprehensive EE projects for medium-sized businesses. The implementer's services include potential project identification, audits, business case development and presentation, project approval, measure implementation, and M&V, as needed. Once the project is approved, implementation through M&V takes between six and twelve months. When the old program is being replaced by a new program, SDG&E proposes to establish a timeframe for the old implementer to complete existing projects. Depending upon available budget, specific projects, and other such factors, SDG&E would set dates by which new projects must be approved and a date by which all remaining projects must be complete. The existing contract would then be amended to allow these specific projects, and only these specific projects, to be completed by the old third-party implementer. This phase-out would prevent customer disruption by transitioning to the new implementer.

In parallel with the activities associated with the old implementer, SDG&E would pursue startup activities with the new third-party implementer. The new implementer would initiate the new program and, for some time, both the new and old third-party implementers would be operating similar programs. The new implementer would be allowed to approach all customers and projects within the program scope, except those specifically included in the scope of the old contractor.

This situation will necessitate SDG&E's careful administration of multiple contracts with implementers during the transition period and those contracts will need to be structured to protect the interests of the impacted customers.

C. IOU as Program Implementers

D.16-08-019 (p. 68) states, "[T]he utilities would be permitted to continue a program delivery role in particular circumstances, with justification presented in their business plans." As discussed above, SDG&E will be issuing solicitations for the various business sectors over a period of time, with the last major RFP completed in 2020. As such, not all new programs with new implementers will be in place as the solicitation process progresses. During this time, it is reasonable for SDG&E to continue programs that have not been replaced by new third party programs (both local and statewide) to ensure that customers will have EE programs and services available to them and that the necessary EE programs are implemented to ensure progress towards the State's aggressive EE goals.

After the solicitation process is over, should no successful bidders be selected, SDG&E will assume the responsibility of implementing programs to fill portfolio gaps until such time that a new solicitation can be offered. If no programs are offered in the interim by SDG&E to cover these gaps, this could result in lost EE opportunities.

D. Existing Third Party Program Extension

D.15-10-028 requires that all third-party energy efficiency contracts must expire by October 23, 2018.[18] A mandatory termination date of October 23, 2018 requires IOUs to conduct solicitations to replace the existing third-party contracts to maintain the 20 percent third-party procurement targets required by D.16-08-019. This limitation could lead to significant market disruption and considerable administrative burdens, particularly for vendors and Commission staff.

SDG&E, SCE, and SCG have requested an extension for the expiration of third-party contracts from October 28, 2018 to the end of 2020. To support a smooth transition, PAs should be allowed flexibility to extend third-party contracts until they are replaced by new third-party programs. Existing programs will be extended in 2018, as needed, to minimize market disruption and meet the needs of our customers.

VII. INDEPENDENT EVALUATION AND PRG APPROACH

SDG&E conducts its competitive solicitations following processes and procedures developed by its Supply Management department. The standards for these practices are consistent with industry best practices and are designed to procure quality goods and services that balance scope, methodologies, contractor expertise, and delivery timeframe requirements with fair prices and quality for the benefit of SDG&E's customers and ratepayers.

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[18] D.15-10-028, OP 22.

In addition to these company standards, SDG&E has operated its EE third-party program solicitations in partnership with its Peer Review Group (PRG) since 2006. The PRG has provided useful feedback which has been incorporated into many aspects of current SDG&E third-party solicitations.

More recently, the California Energy Efficiency Coordinating Council (CAEECC) and other stakeholders have been discussing the PRG's potential role in future third-party solicitations and considering alternative approaches. It should be noted that during these discussions it was determined that CAEECC's full membership may not serve as an oversight group for these solicitations since some market participant members (e.g., CAEECC member EE third party implementers) have a potential conflict of interest. This issue also has been raised by Commission Staff,

> While staff fully supports this concept, Energy and Legal Division staffs are concerned that market actor participation in some aspects of the Coordinating Committee and subcommittee activities may give rise to a conflict of interest that will preclude market actors from bidding on implementation contracts with the PAs (or on evaluation contracts with the CPUC). Consequently, the Coordinating Committee must ensure that discussions in which market actors participate remain at a high enough level that these participants will not be precluded from performing efficiency work for the PAs.[19]

General consensus has been established related to the following at these CAEECC discussions:

- Although the IOUs have demonstrated a consistent practice of performing third-party solicitations in a fair and transparent manner, some external monitoring of future solicitations continues to offer value to stakeholders by providing ongoing reassurance that these practices will continue.
- Although current and past members of the PRG have worked to provide meaningful advice on both specific and general solicitation issues, they have stated that they have neither the resource availability nor the expertise to monitor solicitations to the extent they feel is necessary.

[19] *Energy Efficiency Rolling Portfolio Business Plan Guidance*, Energy Division (May 2, 2016), p. 2.

- Additionally, and likely in large part because of the previous point, PRG participation has historically been quite low. Another contributing factor to this low participation rate is the difficulty in finding interested parties, with meaningful expertise, that are not financially interested in the outcome of the solicitations.

Given these concerns with the current PRG, stakeholders have proposed that Independent Evaluators (IEs) be used to conduct most of the activities associated with monitoring the third-party solicitations in a manner that supports the continued role of the PRG.

While the IOUs[20] are open to the suggestion of a new process that includes IEs, it is important to note that the IOUs would like to further understand what the continued involvement of the PRG should be and if an additional layer of review, the IEs, is truly necessary. There have been few, if any, specific and factual issues raised and no substantiated claims that the current EE solicitations have not been fair and transparent. Should the addition of the IEs to the solicitation process be required, the IOUs propose that the following process be developed and finalized in the decision.

A. IE Scope

The IE would work with the IOUs on an ongoing basis, create and deliver reports to the PRG to inform their discussions and provide potential advice to the IOUs. During their work with the IOUs, the IE would advise the IOU and assess the solicitation's reasonable conformance with the solicitation plan and CPUC solicitation directives. The IE would rely on a standard checklist and would attend relevant IOU meetings. Specific tasks and responsibilities may include, but are not limited to:

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[20] The term "IOUs" in this instance does not include SoCalGas. SoCalGas offers its own alternative approach in their solicitation proposal.

- Assessing conformance with CPUC and RFP requirements (as prescribed in a predetermined list)
- Assessing whether contract negotiations are fair to both parties
- Assisting with settlement of disputes during contract negotiations
- Offering process improvement suggestions throughout the solicitation process
- Generating advisory reports to IOU(s) and the PRG, including Energy Division staff

B. EE-PRG Role

The purpose of the PRG is to provide advice to the IOU so that it conducts its solicitation in accordance with the Commission's requirements and objectives. The EE-PRG role would include, but is not limited to:

- Review IOU's solicitation plans
- Provide timely input into the draft RFP language and criteria used for scoring[21]
- Review presentations and advisory reports by the IE regarding process and whether the IOUs complied with Commission direction, solicitation plans, the approved Business Plans, and applicable CPUC and other state policy
- Provide recommendations to each IOU based on the review
- Review and comment on IE advisory reports, as applicable

The PRG should include Commission staff representing both the Energy Division and the Office of Ratepayer Advocates (ORA), other state agencies as appropriate (e.g., Energy Commission), public interest advocates such as The Utility Reform Network (TURN) and Natural Resources Defense Council (NRDC), and organizations involved in the energy industry whose members do not have a financial interest in the outcome of each solicitation, such as the Coalition of Utility Employees (CUE).

Because the PRG will have access to the financial and operating information of individual energy efficiency businesses (i.e. the third party bidders) when reviewing the utility's

[21] This is in line with current Peer Review Group roles per Energy Efficiency Policy Manual v.5 p.40.

evaluation of offers received, representatives of any firm or organization whose members may compete in a solicitation should not serve on the PRG.

SDG&E proposes to leverage its current Procurement Review Group infrastructure for this new PRG. As described herein, it is anticipated that there would be a solicitation to seek additional qualified IE's and that stakeholder members would add members who are well-versed in EE and interested in the success of the EE solicitations.

The IOUs propose establishing a status update meeting with the PRG, IOU and IEs, to be held with a consistent schedule (bi-monthly, quarterly, or what is determined as appropriate) that would update the PRG of all solicitation activities on a regular basis. A standard agenda that provides detail on all solicitation activities would be used to facilitate updates and discussions.

C. Bid Selection Process

The final step of the selection portion of each solicitation process would be for the PRG and IOU to discuss the selection(s) that the IOU has made. The PRG would use the IE's report to inform its discussions. At this time, the PRG may offer advice related to either the specific solicitations, the IOU's selection(s), or the solicitation process in general. Once this meeting has concluded, the IOUs would proceed with the contracting phase of the process, followed by program implementation. No further CPUC approval would be required.

D. IE Particulars

1. Selection Process and IE Contracts

To implement the IE concept in a timely manner, the IOUs propose that each IOU may conduct a competitive solicitation to select one or more IEs qualified to monitor their energy efficiency third party solicitations – such candidates may include those who have expertise in

EM&V, energy efficiency, and demand response, but do not necessarily have expertise in energy procurement, construction practices, power purchase requirements, buyout options, and turn-keys. Additionally, some IOUs may use IEs who have demonstrated demand-side management (DSM) experience, and who currently support their current Energy Procurement Review Group.[22] The selections of the IEs would be confirmed by Energy Division management through the advice letter process. Once confirmed, the IOUs would contract with the selected IEs, and maintain the contractual relationship and the ability to select which IEs participate in each solicitation. It should be noted that this step, which would not take place until approval of the Business Plans, may add time, as the PRG and IE requirement would need to be in place prior to issuing the first round of solicitations.

2. Level of IE Review

Although there are valid reasons for including the PRG and IEs in the overall third-party solicitation process, the IOUs believe that financial prudence/ratepayer protection demands that this oversight function be focused on the more meaningful and substantial solicitations and not applied too broadly. Thus, the IOUs intend to include the PRG and IEs on all resource-based statewide program solicitations and other solicitations where the expected annual contract value exceeds $5 million. Solicitations that do not meet either of these two criteria would be

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[22] For example, based on their publicly-posted resumes, the individuals employed by all four of PG&E's Energy Division-approved IEs are experienced in the evaluation of substantial demand-side solicitations. In particular, one evaluator served as the common evaluator for the Distributed Resource Auction Mechanism (DRAM) pilots operated by all four of the energy IOUs. Another PG&E IE is serving as PG&E's IE on the current Distribution Resource Plan solicitation, where the demand side management is a critical component of resource strategy.

conducted in a manner consistent with the current best practices for the third-party solicitation processes, and would only include EE-PRG review.

The IOUs believe that this is a reasonable approach, particularly because the circumstances that gave rise to creating PRG/Program Advisory Group (PAG), as noted above, are no longer applicable. When the Commission created the original PRG/PAG structure, California had recently ended electric restructuring and there were significant concerns about restoring the IOU to a lead role in energy efficiency portfolio management. The Commission stated the need to "institute appropriate safeguards" as part of its "overall approach to quality control for both supply-side and demand-side resource procurement."[23] The IOUs have now successfully and fairly implemented the third-party program solicitation process for over a decade and maintained commitments of well more than the twenty percent of budget minimum requirement established by D. 05-01-055. The same Decision placed a ban on affiliate transactions between IOU administrators and program implementers, an issue that has long since ceased to exist.

The approach proposed by the IOUs maintains the Energy Division's role in providing oversight for solicitations, an approach that is consistent with the current administrative structure for both third-party solicitations and EM&V.

VIII. SOLICITATION OUTREACH AND TRAINING

A prepared and informed bidder pool is foundational to the success of the IOUs' sector solicitations. The IOUs propose several channels to ensure widespread notification of

[23] "Interim Opinion on the Administrative Structure for Energy Efficiency: Threshold Issues," Decision 05-01-055, California Public Utilities Commission, January 27, 2005, p. 10.

solicitations. Additionally, the IOUs plan to prepare and educate the marketplace for the upcoming solicitations through a series of outreach events and bidders conferences. Such support will be especially valuable to new and/or small business bidders. The IOUs will seek vendor and stakeholder feedback, and incorporate lessons learned, to enhance outreach and education. Trainings will be held jointly amongst the IOUs, and recorded to provide yearly access by prospective bidders.

A. Solicitation Notifications

The IOUs plan to use several channels to notify bidders, and interested stakeholders about third party program solicitations. These channels include, but are limited to Proposal Evaluation & Proposal Management Application (PEPMA), individual IOU websites, the CAEECC website, and R.13-11-005 and A.17-01-013 service lists.

B. Vendor Outreach and Training

The IOUs plan to hold a series of in-person vendor training workshops to provide prospective bidders general information on essential administrative requirements for successful bidders such as cyber and contractor safety requirements, insurance requirements, third party security review and data access requirements, diverse businesses, and other basic qualifications (e.g., what constitutes an acceptable bid, and the qualification process). The trainings will also include an overview of energy efficiency program-related resources and where to locate them (i.e., recent decisions, IOU Business Plans, California Standard Practice Manual, cost-effectiveness tool (CET) etc.), best practices in measuring savings, and EM&V 2.0, to name a few topics. The IOUs will collaborate on the development of these trainings. In some instances, the trainings may be recorded and posted on the CAEECC website so that they are accessible at any time to all prospective bidders and/or stakeholders.

In addition to the outreach and training opportunities, the IOUs may offer bidders' conferences for each of the specific RFA/RFPs. In most cases, bidders' conferences will be web-based. These web-conferences may provide a detailed review of the specifics of a particular RFA/RFP, including milestones, dates, and specific instructions for proposal submittals, questions/responses, and a more detailed description of each solicitation's requirements. Additionally, the bidders' conference may detail best practices and preferred methods for responses to aid the bidders in preparing their proposals. The web-conference is typically held early in the process to allow bidders to understand the requirements of submittal and to allow them to develop any additional questions for the respective IOU during the specific RFA/RFP process.

IX. COORDINATION WITH OTHER PROGRAM ADMINISTRATORS ON REGIONAL SOLICITATIONS

As part of its solicitation strategy, SDG&E, as applicable, will seek opportunities to coordinate solicitations with other PAs (e.g., IOUs, POUs, Regional Energy Networks (RENs), and Community Choice Aggregators (CCAs)) to reduce overlapping and duplicative programs in the marketplace. When considering the potential overlap between SDG&E and any future REN/CCA programs, SDG&E recommends its solicitations have priority and be issued before RENs and CCAs, as discussed by PG&E in its reply comments.[24] The IOUs bear statutory

[24] For more information, see *Reply Comments of Pacific Gas and Electric Company on Responses to the Questions in Scoping Memo Attachments A and B*, June 29, 2017, pp. 7-10

responsibility for maximizing the use of energy efficiency within their service territories and are the only PAs with energy efficiency savings goals.[25] IOUs are also responsible to their customers for the prudent management of energy efficiency funds, which are collected through non-bypassable charges on distribution customers within an IOU service area, to support energy efficiency programs under Public Utilities Code § 381.1. RENs and CCAs do not have these requirements, and should not impede SDG&E from achieving its statutory obligations by limiting its ability to deliver cost-effective energy efficiency services and programs in its service territory.

(END OF ATTACHMENT A)

[25] Public Utilities Code (Pub. Util. Code) §454.55 (a) and §454.56(a).

ATTACHMENT B
RESPONSE TO JULY 26, 2017 COMMISSION STAFF GUIDANCE

ATTACHMENT B
RESPONSE TO JULY 26, 2017 COMMISSION STAFF GUIDANCE

1. If the IOUs are planning to keep a program or component/function in-house, provide an explanation and the reasons why they are not putting this program/component/function out to bid.

SDG&E Response: Upon CPUC approval, SDG&E will begin the sector based solicitation strategy that is detailed in Attachment A. With a goal of reaching a minimum of 60% outsourcing to third party implementers, SDG&E will begin with programs that are currently implemented by third parties (3Ps) and align with the strategies outlined in the business plan. SDG&E intends to issue solicitations for broad sector and market offering and not for specific programs.

For the statewide programs, SDG&E plans to issue solicitations for programs that it is lead program administrator, i.e., the Plug Load and Appliance (PLA), HVAC — Residential and Commercial Upstream, and Residential HVAC Quality Installation/Quality Maintenance (QI/QM) programs. These statewide solicitations will be coordinated and inform the local solicitations.

For SDG&E's local programs, for example, in alignment with the commercial market characterization in its business plan, SDG&E will issue a local solicitation for its small and medium commercial market. Third party implementers will propose their program designs based on goals and strategies included in the business plan. Third parties that propose the programs that best meets the business plans goals will be selected. Once the solicitations are completed, SDG&E will have a better picture of the programs that will be included in the portfolio. Any existing or legacy programs that are duplicative or have similar elements with the newly selected third party programs will be ramped down in time for the new programs to ramp up. SDG&E

will offer local programs only if there are any gaps not covered by the new third party programs. Ultimately, SDG&E has the responsibility as portfolio administrator to design an energy efficiency portfolio that achieves energy savings goals cost-effectively, within SDG&E's approved portfolio budget. SDG&E retains discretion regarding portfolio make up and program budget allocations based on service territory needs.

With regards to non-implementation program functions, SDG&E is coordinating with the other IOUs to determine the feasibility of outsourcing various program support functions at a statewide level. SDG&E is also careful to consider balancing these efforts with the need for adequate quality control to ensure that savings claims are accurate and compliant. To this end, SDG&E will retain responsibility, as per decision language, for ensuring that goals are achieved and the savings claims meet regulatory requirements.

Finally, Attachment A, Section VI.C, "IOU as Program Implementers," describes SDG&E's continuing role as program implementer.

2. Provide an estimated budget for the sector solicitations at the portfolio level. These estimates should reflect the IOUs' best judgment based on the determination of portfolio need

SDG&E Response: See below.

SW / Local	Program	Sector	RFP Annual Budget Ranges
SW	Upstream-Midstream Commercial HVAC	Commercial	$1.5M - $2.3M
SW	Upstream-Midstream Residential HVAC	Residential	$75K - $90K
SW	Plug Load and Appliances	Residential	$5M - $5.5M
SW	Residential HVAC QI/QM	Residential	$450K - $500K
Local	SMB / Direct Install	Commercial	$13M - $15M
Local	Multi-Family and Low Income Residential	Residential	$5M - $6M
Local	WE&T	Cross Cutting	$125K - $150K
Local	Commercial Real Estate	Commercial	$300K-$500K

SW / Local	Program	Sector	RFP Annual Budget Ranges
Local	EUC, Behavioral, CMPH	Residential	$13M - $14.7M
Local	Agriculture	Agricultural	$700K - $825K
Local	Industrial	Industrial	$3M - $3.5M
Local	Core Commercial Programs	Commercial	$9M - $10M
Local	Residential Lighting	Residential	$1.5M - $2.3M
Local	IDEEA 365	TBD	$700K - $1M
Local	IDEEA 365	TBD	$700K - $1M
Local	IDEEA 365	TBD	$700K - $1M

3. To the extent possible, each IOU should describe how their solicitation strategy differs from the other IOU proposals.

SDG&E Response: The solicitation plan was developed jointly by the IOUs, particularly in the area of statewide programs, and thus applies to each of the IOUs. For those areas of the solicitation plan that are specific to an individual IOU, i.e. the schedule of solicitations, the proposed budget for each IOU, etc., each IOU has provided information that is specific to that IOU. From a process perspective, SDG&E does not intend to use the two-stage process that the other utilities are planning to utilize. As detailed in the strategy itself, SDG&E intends to use a single stage RFP process for each solicitation. This strategy allows for multiple solicitations per sector until the goals for the sector are met. This also provides vendors with more opportunities to participate in the solicitation process with time to learn, incorporate feedback, and improve their program proposals. Please see the response to the Question 1 above and the Attachment A for details on SDG&E's approach.

4. Identify and include a list of programs that do not count towards the 60% minimum target that will be outsourced.

SDG&E Response: A list of programs that do not count toward the 60% is difficult to create at this time since the IOUs do not intend to maintain programs that are being successfully covered by third parties and the design of those third party programs has yet to be determined by the third party implementers. As discussed in Attachment A and the response to the Question 1 above, SDG&E intends to solicit proposals from third parties that address the markets, strategies and goals outlined in the business plan. Once the solicitations are completed, SDG&E will have a better understanding of the programs that will be included in the portfolio and where the gaps are. However, there may be programs such as Local Government Partnerships that are not implemented by third parties and thus that will not count towards the 60% minimum target.

5. Explain how this transition to mostly third party- implemented programs/components/functions could impact the portfolio budget, particularly with respect to administrative costs.

SDG&E Response: SDG&E will comply with all required budgetary caps for administrative costs, marketing costs and direct implementation, non-incentive costs. As stated in response to the Scoping Memo, Attachment A, Question B.3,[1] SDG&E expects there may be slight increased administrative costs associated with statewide administration of HVAC and PLA programs while potential decreases may occur with some of the other program areas where SDG&E is not the statewide lead. There are many uncertainties associated with this new business model, namely around the new statewide administration approach. Activities such as increases in reporting requirements, data requests and travel expectations would be the areas that such increases could be seen. SDG&E will continuously seek opportunities to refine and coordinate with the other IOUs to identify efficiencies; however, at this time, SDG&E is unsure that these efficiencies will be realized, particularly in the early stages of this new model.

[1] *San Diego Gas & Electric Company's Responses to Supplemental Questions*, Attachment A, (May 15, 2017), p. 2

6. Identify and include a list of the statewide programs that the IOUs intend to outsource.

SDG&E Response: Please see Attachment A-Section VI. Commission Key Policies.

7. Identify the advantages and disadvantages of all IOUs issuing and conducting solicitations at the same time.

SDG&E Response: First, because of the aggressive requirement to outsource a minimum of 60% of the portfolio by the end of 2020, the IOUs will be issuing and conducting solicitations at the same time. The clarification is that the solicitations issued by each IOU at any time may well be focused on different portfolio requirements and priorities.

The advantage of this aggressive schedule is meeting the CPUC's outsourcing order and achieving the potential advantages of outsourcing. There have been advocates for a completely coordinated solicitation schedule where each IOU would issue a solicitation for the same sector / opportunity. The assumed advantage of such coordination would be that bidders could focus on responding to similar solicitations all at once. There are also disadvantages to the IOUs syncing their solicitation release. These include:

- Different priorities for each sector for each IOU based on the strategies defined in the business plans.
- Given the differences in customer composition in each sector for each IOU, successful program designs are likely to be different for each service territory, thus, in a coordinated schedule, bidders would be required to have their sector experts design and submit multiple different proposals at the same time and thus create a larger burden on implementers. This requirement might force all but the largest implementers to not respond to one or more of the IOUs' solicitations.

8. Include a joint schedule of proposed solicitations by each program administrator (PA) for each year.

SDG&E Response: Please refer to Attachment C.

9. Explain what the relevant programs will look like in 2018, since solicitations will not likely begin until mid-2018. Specifically: identify and describe the types of transition, preparation, etc. activities that are currently underway and/or scheduled to occur. Will current contracts get extended? For how long?

SDG&E Response: Please refer to Attachment A, Section VI, Transition from Existing programs to New Third Party Programs.

SDG&E, together with SCE and SCG, has requested an extension for the expiration of third-party contracts from October 28, 2018 to the end of 2020. To support a smooth transition, PAs should be allowed flexibility to extend third-party contracts until they are replaced by new third-party programs. Existing programs will be extended in 2018, as needed, to minimize market disruption and meet the needs of our customers.

10. IOUs should clearly explain how existing long term contracts will ramp down while the third party proposals ramp up to meet the 60% target.

SDG&E Response: Please refer to Attachment A, Section VI, Transition from Existing programs to New Third Party Programs.

11. Explain how third party programs will meet the new definition in 2018: How will each program administrator ensure cohesion between their business plan visions and strategies, and third-party designed and implemented programs?

SDG&E Response: SDG&E included in the business plan specific vision, goals and strategies for each sector and as detailed in this strategy and in the responses above, SDG&E intends to solicit for broad sector and market solutions that are in alignment with the business plan. Third party proposal scoring may be developed to include portfolio fit and likeliness of success in a given sector. In its role as portfolio administrator,[2] SDG&E will ensure solicitations are structured to receive program proposals that align with the business plan vision while capturing market potential by sector / subsector, geography, technology, and/or channel.[3] In all cases, SDG&E will seek third parties to propose and design programs that fit its stated needs, and may work collaboratively with winning bidders to ensure the proposed program design meets the portfolio needs, and align with key portfolio and business plan metrics (e.g., savings goals, cost-effectiveness targets etc.).

12.`Provide a description of the type of training/support that will or could be offered to implementers and potential bidders. Will this be offered jointly across the state? Will the training be offered year-round?

SDG&E Response: Please see Attachment A, Section VIII.B, Vendor Outreach and Training.

13. Include a description of the components of the RFPs. Will program administrators develop a 'standard' (user-friendly) RFP template and optional add-ons, and/or one or more non-standard RFP template(s) for more unique solicitations?

SDG&E Response: SDG&E will work with the other IOUs to adopt standard RFP templates for common information requests to the extent possible. Please see Attachment A, Section V, Approach to Sector and Statewide Program Solicitations.

14. Provide an estimate for how many RFPs will be issued each quarter over the next three years.

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[2] D.16-08-019, pp. 71 and 74, "By necessity, the program administrator will be determining the needs for which a solicitation is being conducted in the first place."

[3] D.16-08-019, p. 72, "We clarify…that nothing…in this decision is intended to remove or diminish the utilities' responsibility for electric and natural gas reliability, particularly in local areas.

SDG&E Response: Please see Attachment C for the proposed RFP schedule. It is important to note that SDG&E will continue to offer solicitations as necessary to ensure that the minimum 60% threshold is reached and that program proposals are in alignment with the business plan sector goals and objectives.

- Q1 2018 = 4 RFPs
- Q2 2018 = 2 RFPs
- Q3 2018 = 2 RFPs
- Q1 2019 = 5 RFPs
- Q3 2019 = 2 RFPs
- Q1 2020 = 1 RFP

15. Describe how program administrators will ensure the RFPs will respond to address hard to reach communities or other segments, without direct oversight or of designing programs.

SDG&E Response: SDG&E's business plan includes details about the market characterization of each of the sectors within the SDG&E territory. In addition, SDG&E's revised metrics proposal identifies specific sectors that have hard-to-reach and disadvantaged community metrics.[4] Third parties should utilize these facts to inform their proposals for program design. While third parties will be responsible for leading program design, the Commission recognized that "utilities may consult and collaborate, using their expertise, on the ultimate program design implemented by the third party."[5] Should there not be sufficient focus on the hard to reach or other targeted communities, SDG&E may use its knowledge of customers

[4] *San Diego Gas & Electric Company's Revised Sector-Level Metric Proposal*, Attachment A, (July 14, 2017).

[5] D.16-08-019, Conclusion of Law 57.

to collaborate with vendors during the contract negotiation phase to adequately address hard-to-reach or disadvantaged communities, as needed.

16. Include the general scoring criteria and weighting the program administrators propose to use, to evaluate RFPs.

SDG&E Response: Please see Attachment A, Section V.E, General Scoring Criteria.

17. Describe the process if bids received are rejected, i.e., there is no selected bidder to implement a program. What are the steps to fill the program gaps if this happens?

SDG&E Response: Please see Attachment A, Section VI.C, IOUs as Program Implementers.

18. Include a description of the additional timing/ramp up process for creating an Independent Evaluator (IE)/Procurement Review Group (PRG) process, if applicable.

SDG&E Response: Please see Attachment A, Section VII, Independent Evaluation and PRG Approach.

19. Explain how many IEs there would be, who holds the contract for the IE, how to ensure the IE has adequate experience in evaluating energy efficiency bids, or other relevant experience.

SDG&E Response: Please see Attachment A, Section VII, Independent Evaluation and PRG Approach.

20. Explain what the IE would be reviewing: would they just review for compliance or would they evaluate program design?

SDG&E Response: Please see Attachment A, Section VII, Independent Evaluation and PRG Approach.

21. Describe how many bids - the IE would be reviewing: should they review a sample or review all, or is there a dollar threshold? If a dollar threshold, explain why this threshold was selected.

SDG&E Response: Please see Attachment A, Section VII, Independent Evaluation and PRG Approach.

22. Describe how the IOU IE/PRG process differs from the process that the CPUC currently uses for supply-side procurement.

SDG&E Response: The process differs in that the IOUs will work to ensure that the members of the EE advisory group are interested Energy Efficiency stakeholders and that the Independent Evaluators understand the differences and requirements of energy efficiency programs verses the supply-side expertise that is currently required in the CPUC supply-side procurement process. For further detail on this discussion, please see Attachment A, Section VII, Independent Evaluation and PRG Approach.

23. Is there a risk of a bidder getting selected in two or more different solicitations, to implement programs/serve customers located in a service area shared by an IOU and a REN or CCA? If so, how will the program administrators coordinate to eliminate or mitigate this risk?

SDG&E Response: If a bidder were to be selected to implement multiple solicitations to serve a shared territory, then it is expected that the IOUs/RENs/CCAs would coordinate the implementation activities and arrange for possible co-fund or cost-sharing agreements. For further discussion, please see Attachment A, Section IX, Coordination with Other Program Administrators on Regional Solicitations.

(END OF ATTACHMENT B)

ATTACHMENT C

2017-2020 SOLICITATION TIMEFRAMES

ATTACHMENT C: 2017-2020 Solicitation Timeframes

	Description	Sector	Subsector Focus / Program Concepts / SW Program	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
JOINT	Statewide RFI	Platform	SW - Deemed Platform Support	RFI																	
PG&E	Statewide Program RFP	Cross Cutting	SW - Codes and Standards Title 24 - Phase 1		Start	End	Launch														
PG&E	Statewide Program RFP	Cross Cutting	SW - Codes and Standards Title 24 - Phase 2			Start		End	Launch												
PG&E	Open Sector RFA / RFP	Commercial	Large Office / High Tech / Regional SMB				Start		End	Launch											
PG&E	Open Sector RFA / RFP	Industrial	Food Processing / Petroleum			RFA	Start		End	Launch											
PG&E	Open Sector RFA / RFP	Residential	Single Family / Multi-Family				Start		End	Launch											
PG&E	Statewide Prog RFA / RFP	Cross Cutting	SW - WE&T Career Connections					Start		End	Launch										
PG&E	Statewide Prog RFA / RFP	Public Sector	SW - State of California Partnership					Start		End	Launch										
PG&E	Open Sector RFA / RFP	Public Sector	K-12 / Government				RFA	Start		End	Launch										
PG&E	Open Sector RFA / RFP	Agricultural	Dairies / Wineries / Breweries					Start		End	Launch										
PG&E	Open Sector RFA / RFP	Cross Cutting	C&S / WE&T / ET					Start		End	Launch										
PG&E	Open Sector RFA / RFP	Commercial	Retail / Healthcare / Hospitality							Start		End	Launch								
PG&E	Open Sector RFA / RFP	Industrial	Manufacturing						RFA	Start		End	Launch								
PG&E	Open Sector RFA / RFP	Residential	Single Family / Multi-Family							Start		End	Launch								
PG&E	Statewide Program RFP	Cross Cutting	SW - Codes and Standards Title 20							Start		End	Launch								
PG&E	Statewide Prog RFA / RFP	Cross Cutting	SW - WE&T Workforce Readiness									Start		End	Launch						
PG&E	Open Sector RFA / RFP	Cross Cutting	C&S / WE&T / ET								RFA	Start		End	Launch						
PG&E	Open Sector RFA / RFP	Public Sector	K-12 / Government									Start		End	Launch						
PG&E	Open Sector RFA / RFP	Agricultural	Greenhouses / Crop Production									Start		End	Launch						
PG&E	All Sector RFA	All	Ongoing										RFA								
SCE	Open Sector RFA / RFP	Commercial	SW - Commercial New Construction			Start		End	Launch												
SCE	Open Sector RFA / RFP	Industrial	-		RFA	Start		End	Launch												
SCE	Open Sector RFA / RFP	Residential	SW - Lighting Program			Start		End	Launch												
SCE	Open Sector RFA / RFP	Public Sector	SW - Gov. & Inst. Partnerships and Water/Wastewater Pumping				RFA	Start		End	Launch										
SCE	Statewide Prog RFA / RFP	Cross Cutting	Electric Emerging Technologies					Start		End	Launch										
SCE	Open Sector RFA / RFP	Agricultural	-						RFA	Start		End	Launch								
SCE	All Sector RFA	All	Future Targeted RFPs as Needed (per RFA results)								RFA										
SoCalGas	Local RFA/RFP	Residential	Whole Building / Residential DI / Prescriptive Incentives / Efficient Home Rating / DA Community Outreach / Emerging Management Technologie					Start	End	Launch											
SoCalGas	Local RFA/RFP	Commercial	DA Community Outreach / Small Commercial Standard and Comprehensive DI / Segment Solution; Office, Retail and Food Service / Laundry Efficienc					Start	End	Launch											
SoCalGas	Local RFA/RFP	Agricultural	Small Ag Outreach / Urban Ag & Small Green Houses				RFA	Start	End	Launch											
SoCalGas	Local RFA/RFP	Industrial	Small Industrial Upgrades / Med & Large Food Beverage Facility Upgrade					Start	End	Launch											
SoCalGas	Local RFA/RFP	Public	DA Community Outreach / DI Public Facilities / Tech, Policy & Plan Assistance / Public Performance					Start	End	Launch											
SoCalGas	Statewide Program RFP	Residential	SW - Res New Construction					RFA	Start	End	Launch										
SoCalGas	Statewide Program RFP	Non-Resource	SW - Gas Emerging Technologies						Start	End	Launch										
SoCalGas	Statewide Program RFP	Commercial	SW - Foodservice POS									Start	End	Launch							
SoCalGas	Statewide Program RFP	Commercial	SW - Downstream Food Service								RFA	Start	End	Launch							
SoCalGas	Statewide Program RFP	Commercial	SW - Midstream Water Heating									Start	End	Launch							
SoCalGas	Local RFA/RFP	Residential														Start	End	Launch			
SoCalGas	Local RFA/RFP	Commercial														Start	End	Launch			
SoCalGas	Local RFA/RFP	Agricultural													RFA	Start	End	Launch			
SoCalGas	Local RFA/RFP	Industrial														Start	End	Launch			
SoCalGas	Local RFA/RFP	Public														Start	End	Launch			
SDG&E	Statewide Program RFP	Commercial	SW - Upstream-Midstream Commercial HVAC			Start			End		Launch										
SDG&E	Statewide Program RFP	Residential	SW - Upstream-Midstream Residential HVAC			Start			End		Launch										
SDG&E	Statewide Program RFP	Residential	SW - Plug Load and Appliances			Start		End	Launch												
SDG&E	Open Sector RFP	Commercial	SMB / Direct Install			Start			End		Launch										
SDG&E	Open Sector RFP	Residential	Multi-Family and Low Income Residential				Start			End		Launch									
SDG&E	Open Sector RFP	Cross Cutting	WE&T				Start			End		Launch									
SDG&E	Open Sector RFP	Commercial	Commercial Real Estate					Start		End	Launch										
SDG&E	Open Sector RFP	TBD	IDEEA 365					Start		End	Launch										
SDG&E	Statewide Program RFP	Residential	SW - HVAC QI/QM							Start			End		Launch						
SDG&E	Open Sector RFP	Residential	EUC, Behavioral, CMPH							Start			End		Launch						
SDG&E	Open Sector RFP	Agricultural	Agriculture							Start		End	Launch								
SDG&E	Open Sector RFP	Industrial	Industrial							Start		End	Launch								
SDG&E	Open Sector RFP	Commercial	Core Commercial Programs							Start			End		Launch						
SDG&E	Open Sector RFP	Residential	Residential Lighting									Start			End		Launch				
SDG&E	Open Sector RFP	TBD	IDEEA 365									Start		End	Launch						
SDG&E	Open Sector RFP	TBD	IDEEA 365													Start					