

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 6, 2023

Advice Letter 4079-E / 4079-E-A

Clay Faber
Director, Regulatory Affairs
San Diego Gas & Electric
8330 Century Park Court
San Diego, CA 92123

Subject: Staff Disposition of San Diego Gas & Electric Company's Advice Letters (ALs) 4079-E and 4079-E-A for Approval of Energy Efficiency (EE) Third-Party Solicitation for the Industrial Third-Party Contract with Cascade Energy.

Dear Mr. Faber,

The California Public Utilities Commission's (CPUC) Energy Division (ED) approves San Diego Gas & Electric's (SDG&E) ALs 4079-E and 4079-E-A with an effective date of January 4, 2023.

Background

On September 21, 2022, Pursuant to Ordering Paragraph (OP) 2 of D.18-01-004, SDG&E submitted AL 4079-E, containing its Local Industrial Solicitation Energy Efficiency Third Party Contract with Cascade Energy.

Decision D.18-01-004, the Third-Party Solicitation Process Decision, requires the four California Investor-Owned Utilities (IOUs) to file a Tier 2 advice letter for any third-party contracts that are valued at \$5 million or more and/or that have contract terms of longer than three years.¹ This contract meets that threshold and is valued at \$15,950,957, with a term of 66 months.

On October 10, 2022, Energy Division staff suspended the AL for further review. Energy Division staff requested a supplemental to this AL on November 18, 2022 to address concerns with the strategic energy management component of the program. SDG&E submitted AL 4079-E-A on December 8, 2022 to staff satisfaction.

Protests

No protests to the ALs were filed.

Discussion

In operationalizing the review of third-party advice letters, EE Staff focused its review on the fairness of the solicitations process, size of contract budget and forecasted savings, and the contract's contribution to the portfolio-level cost-effectiveness requirements. Approval of this advice letter is not evidence of CPUC approval of future program implementation. It is SDG&E's responsibility to

¹ D.18-01-004, pg. 57

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manage its portfolio to ensure it remains in compliance with its approved business plan and all CPUC Decisions.

Implementation Plan Development

Decision D.18-05-041, the Business Plan Decision, Ordering Paragraph 2 requires IPs to be posted within 60 days of contract execution, or within 60 days of CPUC approval if the contract meets the

advice letter threshold. With the issuance of this disposition, the implementation plan for this program is due to be updated and posted no later than March 5, 2023.

Please direct any questions regarding Energy Division's findings in this non-standard disposition to Lisa Paulo at lisa.paulo@cpuc.ca.gov.

Sincerely,

A handwritten signature in black ink that reads "Leuwam Tesfai".

Leuwam Tesfai
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

Cc: Service List R.13-11-005
Simon Baker, Energy Division
Jennifer Kalafut, Energy Division
Alison LaBonte, Energy Division
Justin Galle, Energy Division



Clay Faber – Director
Regulatory Affairs
8330 Century Park Court
San Diego, CA 92123

CFfaber@sdge.com

September, 21, 2022

ADVICE LETTER 4079-E
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: San Diego Gas & Electric Company's Energy Efficiency (EE) Third-Party Solicitation Advice Letter for the Industrial Third-Party Contract

PURPOSE

In compliance with Ordering Paragraph (OP) 2 of the California Public Utilities Commission (Commission or CPUC) Decision (D.) 18-01-004, which requires San Diego Gas & Electric Company (SDG&E), and other investor owned utilities (IOUs) to “file a Tier 2 advice letter for each third-party contract, or a batch of third-party contracts, that is valued at \$5 million or more and/or with a term of longer than three years,” SDG&E hereby submits this Advice Letter (AL) to: (i) provide information on SDG&E's Energy Efficiency (EE) Industrial Solicitation, and (ii) request approval of the one (1) contract entered into as a result of the Industrial Solicitation.

This AL was prepared in conformance with the Advice Letter Template provided by Energy Division (ED).¹ Table 1 below represents the sections in this AL which demonstrate compliance with ED's Advice Letter Template.

Table 1 – Summary of Compliance Requirements for EE Third-Party Solicitation – Industrial

Compliance Item	Part 1 (Public)	Part 2 (Confidential)
Introduction: Purpose and Subject (Summary of Contracts)	Part 1.1.A-B	Appendix D
Introduction: Solicitation Process Overview	Part 1.1.C	Appendix B
Transition Plan	Part 1.2	
Confidentiality	Part 1.3	
Final IE Report	Attachment A	Appendix A
Program-Level Measurement & Evaluation (M&V) Plan for normalized metered energy consumption (NMEC) programs seeking exceptions to the NMEC Rules	Not Applicable	
Selection Spreadsheet (in Excel)		Appendix C
Executed Third-Party Contract		Appendix E

¹ ED provided the AL template on May 1, 2020 and is posted on the California Energy Efficiency Coordinating Committee website, available at https://4930400d-24b5-474c-9a16-0109dd2d06d3.filesusr.com/ugd/849f65_d6a2b14b1fa143bea93046783e201a51.pdf.

PART ONE: PUBLIC SECTION OF ADVICE LETTER**1. INTRODUCTION**

D.18-01-004 established the required process for Third-Party solicitations in the context of the IOU's rolling EE portfolio. D.18-01-004 requires a two-stage solicitation approach to soliciting Third-Party program design and implementation services as part of the EE portfolio and sets the expected progress of these solicitations (through 2022) to meet the minimum 60 percent Third-Party implementation of the IOU portfolio.² Furthermore, D.18-01-004 requires the IOUs to file a Tier 2 AL for each EE Third-Party contract that is valued at five million (\$5M) or more and/or with a term longer than three years.³

SDG&E's filing meets directives in D.18-01-004, which requires IOUs' EE portfolios to contain minimum percentages of Third-Party designed and implemented programs.⁴ If approved, SDG&E will meet its 60% by December 31, 2022, minimum directive for Third-Party implemented programs, with this contract.

D.18-01-004 also requires the IOUs to utilize procurement review groups (PRGs) for the design and process of the solicitations,⁵ as well as an Independent Evaluator (IE) with energy efficiency expertise for each individual solicitation. The IEs provide support to the PRGs and updates to the Commission through semi-annual reports, as well as individual reports on any solicitation process to be submitted along with the Tier 2 advice letter.⁶

A. Purpose of Advice Letter**1. SDG&E's Industrial Market Segment**

The Industrial Sector includes a diverse group of customers who can be characterized by having highly complex and sometimes proprietary systems that necessitate a customized approach to energy efficiency implementation. San Diego is home to more than 3,000 manufacturing companies, which supports more than 96,000 jobs. San Diego's manufacturers range from defense and aerospace to computer electronics & solar panels, to biotechnology. The Industrial Sector provides electric and gas services to approximately 17,000 accounts, and, although this sector is relatively small, it includes some of SDG&E's largest consuming individual customers. Within the Industrial Sector, there is a market segment comprised of industrial customers who find themselves operating inside the entrusted 34 miles of San Diego's Bay and waterfront lands currently being managed by The Port of San Diego.

A major trend benefiting the Industrial Sector is the focus on promoting sustainability, as well as economic development, of ports within California. This trend was formalized by the passage of California Assembly Bill (AB) 628 which, among other topics, calls for assessment and implementation of energy efficiency.

² D.18-01-004 at OP 1.

³ *Id.* at OP 2.

⁴ D.18-01-004 requires at least 25 percent by December 31, 2018, 40 percent by December 31, 2020, and 60 percent by December 31, 2022. See D.18-01-004 at 30.

⁵ *Id.* at OP 3 and OP 5.

⁶ *Id.* at OP 2 and OP 4.

2. Industrial Third-Party Program Selection

SDG&E conducted two concurrent solicitations to address the overall Industrial customer sector. The first solicitation was called the Industrial Sector solicitation and focused on all industrial customers outside of the Port of San Diego. The second solicitation was the Industrial-Port Tenants solicitation, with a focus on only those industrial customers operating under Port of San Diego management as described in the previous section. These two Industrial solicitations sought innovative resource acquisition programs, proposed, designed, implemented, and delivered by a Third-Party Implementer, which would reliably capture cost-effective energy savings. SDG&E conducted an extensive and thorough evaluation of all proposals and made selections based on a fixed set of criteria. Upon completing evaluation of both solicitations, SDG&E chose a single company to implement both aforementioned programs. Due to the significant number of similarities between the two proposed programs, SDG&E consolidated both proposals into a single program and contract.

SDG&E selected Cascade Energy's SMART (Savings, Measurement, Assistance, Rebates, Training) Industrials Program. The SMART Industrials Program was chosen after conducting a comprehensive review of its program design and performing an engineering analysis to ensure the reasonableness of the bidder's proposal. Additionally, the selection included a thorough review to ensure that this selected program would positively contribute to the overall cost effectiveness and energy savings goals of SDG&E's energy efficiency portfolio.

The SMART Industrials Program offers a suite of energy efficiency services to SDG&E's entire industrial sector, tailored to their business type, operation size, financial needs, and geography. SMART Industrials provides training for customers and vendors, high-quality engineering support, creative incentives, and an innovative path to cost-effective energy savings for the small and medium businesses that make up the majority of SDG&E's industrial customers.

The SMART Industrials Program also presents opportunities to integrate EE and Demand Response (DR) in the industrial market segment, in addition to the other benefits the program provides. The Industrial sector offers a compelling opportunity to capture grid benefits by embedding DR into SMART Industrial's comprehensive approach. The SMART Industrial program will evaluate opportunities for load-shifting and incentivize control upgrades for technologies such as lighting, heating, ventilation, & air conditioning (HVAC), and refrigeration, if the customer agrees to participate in a DR program.

The program is expected to contribute to SDG&E's portfolio savings goals over the life of the contract term. The SMART program budget consists of an EE budget of \$15,831,757 with an additional DR budget of \$119,200 for a total of \$15,950,957 across 66 months of implementation. SDG&E's contract with Cascade Energy was executed on August 31, 2022.

SDG&E and Cascade Energy have agreed upon a payment structure that will help ensure the program remains cost effective for the life of the contract. SDG&E will actively monitor the program's design, implementation, delivery functions and expenditures to ensure the third-party implementer is operating within its designated budget. The contract includes detailed but objective key performance indicators (KPIs) that will inform both SDG&E and Cascade Energy of progress towards the program's goals and objectives. SDG&E and Cascade Energy will work together to address challenges encountered in the delivery of the program.

The contract that SDG&E is requesting approval of via this AL will exceed the fulfillment of the Commission's requirement in D.18-01-004 that IOUs have at least 60 percent of their EE portfolios under contract for programs designed and implemented by Third-Parties by December 31, 2022.⁷

B. SMART Industrials Program – Cascade Energy Contract

Table 2 below provides the contract details awarded from the Industrial Solicitation.

Table 2: Industrial Solicitation Contract				
Contract		EE Budget	DR Budget	Total Budget
Industrial				
1	Cascade Energy	\$15,831,757	\$119,200	\$15,950,957
		66 months		

Table 3 below summarizes the contract requiring approval via this AL.

Table 3: General Contract Summary – Cascade Energy		
1	Solicitation name	Industrial
2	Type of program: local, regional, or statewide	Local
3	Delivery Type – specify the delivery type (i.e., direct install, upstream, midstream, or downstream)	Downstream
3.1	A. Direct Install/Downstream Customer Targeting (Yes or No)	Yes
3.2	B. Customer Targeting brief description, if applicable	All eligible industrial-sector customers (including industrial-sector tenants of the Port of San Diego) throughout SDG&E service territory
3.3	C. Midstream/Upstream Market Actors receiving incentives (i.e., manufacturers, distributors, contractors, or other (specify).	N/A
4	Market/Sector(s)	Industrial
5	Customer Segment(s)	Industrial Customers
6	Third-Party Implementer/Subcontractor name	Cascade Energy
7	Name of program or service	SMART Industrials (Savings, Measurements, Assistance, Rebates, Training) Program
8	Brief description of program or service (2-3 sentences)	The SMART (Savings, Measurement, Assistance, Rebates, Training) Industrials Program offers a suite of energy efficiency services to SDG&E's entire industrial sector, including industrial customers served by the Port of San Diego, tailored to their business type, size, and financial needs. SMART Industrials leverages strategic energy

⁷ D.18-01-004 at OP 1.

		management (SEM), training for customers and vendors, high-quality engineering support, attractive incentives and financing options, and an innovative path to cost-effective energy savings for the significant number of small and medium businesses (SMBs) within SDG&E's industrial base.
9	Total kWh Energy Savings (First year, net)	38,813,978 kWh
10	Total kW Energy Savings (First year, net)	3,899 kW
11	Total therms Energy Savings (First year, net)	714,051 therms
12	Hard to Reach (HTR) ⁸ Customers Provide forecasted total number of HTR customer accounts (by customer segment) receiving program and total savings (net first year kWh, kW, and therms) to HTR customers from program over all years program is in effect	33 accounts Net first year energy savings: 1,692,708 kWh 170 kW 31,140 therms
13	Disadvantaged Community (DAC) ⁹ Customers. Provide forecasted total number of DAC customer accounts (by customer segment) receiving program and total savings (net first year kWh, kW, and therms) to DAC customers from program over all years program is in effect	24 accounts Net first year energy savings: 1,427,819 kWh 143 kW 26,267 therms
14	Forecasted Number of Customers Served by Program Year	70 customers (PY 2023) 120 customers (PY 2024) 149 customers (PY 2025) 131 customers (PY 2026)
15	Area(s) Served (including service territory, climate zones, cities, and/or counties, as applicable)	SDG&E service territory
16	Program TRC ratio (CET output)	1.26 (PY 2023) 1.10 (PY 2024) 1.37 (PY2025) 1.37 (PY 2026)

⁸ As it applies to hard-to-reach customers, SDG&E follows the guidance provided in Rulemaking 09-11-014, CPUC's Energy Efficiency Policy Manual v5 (July 2013) at 54, as clarified in Resolution G-3497 (December 19, 2014).

⁹ The California Environmental Protection Agency (CalEPA), pursuant to Health and Safety Code Section 39711, defines disadvantaged communities as those census tracts scoring in the top 25 percent of census tracts statewide on the set of 20 different indicators in CalEnviroScreen. As part of its definition of disadvantaged communities, CalEPA also finds that an additional 22 census tracts that score in the highest five percent of CalEnviroScreen's Pollution Burden indicator, but that do not have an overall CalEnviroScreen score in the top 25 percent because of unreliable socioeconomic or health data, are also defined as disadvantaged communities.

17	Program PAC ratio (CET output)	1.31 (PY 2023) 1.17 (PY 2024) 1.50 (PY 2025) 1.51 (PY 2026)
18	Program \$/kWh (TRC levelized cost, CET output)	\$0.064
19	Program \$/kWh (PAC levelized cost, CET output)	\$0.059
20	Program \$/therm (TRC levelized cost, CET output)	\$1.007
21	Program \$/therm (PAC levelized cost, CET output)	\$.933
22	Budget: Forecast budget by program year (PY) for each year contract in effect	\$51,400 (PY 2022) \$2,489,475 (PY 2023) \$4,459,043 (PY 2024) \$4,774,689 (PY 2025) \$4,176,350 (PY 2026)
23	Budget: Forecast expenditures by program year (PY) for each year contract in effect	\$51,400 (PY 2022) \$2,489,475 (PY 2023) \$4,459,043 (PY 2024) \$4,774,689 (PY 2025) \$4,176,350 (PY 2026)
24	Budget: Total Program Budget (include an explanation for difference, if any, from total contract budget provided in Table 2)	\$15,950,957
25	Budget: If EE/DR component to the program, provide dollar amount and percent of total budget dedicated to EE/DR component	EE budget: \$15,831,757 (99%) DR budget: \$119,200 (.7%)
26	Measure(s)	HVAC, Machine Drives, Lighting, Process Heating & Refrigeration, Compressed Air, Boilers & Steam Systems, Fuel Substitution, and Controls
27	Savings Determination Type (i.e., custom, deemed, Net Metered Energy Consumption, or Randomized Control Trial)	Custom, Deemed, Site-specific NMEC, and Strategic Energy Management (SEM) intervention strategies
28	Savings Calculation Method(s) (Meter-Based, Deemed, Calculated, Multiple and/or Other) If Multiple or Other, please specify.	Calculated, Deemed, and meter-based calculations methods
29	Contract start date and end date	August 31, 2022 – February 29, 2028
30	Program start date and end date. If program dates are not defined by the period the program is open for customer participation, explain, and also include customer participation period.	Ramp-up activities, including Implementation Plan development, will begin in late-2022 once the AL is approved. The program is expected to open for customer participation by January 1, 2022, with implementation activities ending by December 31, 2026. Program shutdown activities shall

		continue through, and be completed by, February 29, 2028, to allow for NMEC and SEM M&V activity to close-out.
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C. Solicitation Process Overview

The following discussion provides a general overview of SDG&E's solicitation process that applies to all of its Third-Party Program solicitations that are compliant with the definition provided in D.18-01-004 regarding Third-Party programs.

1. IOU Solicitation Process

a) Access to solicitation documents and timelines used

SDG&E provides access to all solicitation documents and timelines by posting the solicitation schedule on the Proposal Evaluation & Proposal Management System (PEPMA), SDG&E's Third-Party EE Solicitation webpage,¹⁰ and on the California Energy Efficiency Coordinating Committee (CAEECC) website.¹¹ Current and updated schedules were presented during public workshops. SDG&E utilizes a procurement portal, Power Advocate, as the platform for all solicitation activities, including communication, document download and upload, and to inform the public of dates for solicitation milestones (i.e., when documents are due). To participate, Bidders are required to request to be invited to the Request for Applications (RFA) via a Power Advocate unique ID number. All Bidders are accepted to participate in the RFA. Successful Bidders are then invited to proceed to the Request for Proposal (RFP) stage and submit final bids. With the purpose of ensuring fairness between Bidders and the IOU, all deadlines are considered final. To maintain consistency and fairness, all communications during the solicitation are facilitated through the Power Advocate platform.

b) Communications with respondents, including overarching questions from Bidders and responses provided.

SDG&E's RFA process consists of one round of questions and responses, while the RFP has two rounds of questions and responses. Most of the questions received addressed the process or further clarified how to fully answer RFA/RFP questions. Overarching questions included inquiries on program budgets, available IDSM funding, customer and segment data, energy savings goals, and NMEC. RFP-related questions included request for guidance on kW savings, ramp up funding and possible inclusion of measures from a pilot program. To maintain fairness and prevent any potential influence, perceived or otherwise on the program design, SDG&E directed Bidders to utilize publicly available resources, such as the NMEC rulebook when applicable.

c) Independent Evaluator participation in the process, including a summary of recommendations and input provided.

SDG&E's IE is involved in all aspects of the solicitation for the RFA and the RFP. The IE's role includes making recommendations, adding context to the questions being asked, formatting

¹⁰ SDG&E's Third-Party Solicitations website is available at <https://www.sdge.com/more-information/doing-business-with-us/energy-efficiency-third-party-solicitations>.

¹¹ California Energy Efficiency Coordinating Committee website is available at <https://www.caeccc.org/>.

corrections, and providing additional information to make the requirements clearer and concise for the Bidder. SDG&E reviews and discusses its responses to the recommendations with the IE.

With respect to these solicitations, SDG&E agreed with the majority of the IE's recommendations and implemented those recommendations into the final RFA that was presented to the market. Most RFP recommendations provided by the IE were based on structure and clarity of the RFP documents. Both the IE and EE PRG recommended inserting all applicable legislative drivers, policy decisions, and requirements that pertained to EE Programs with focus on IDSM and Limited EE + DR Integration. SDG&E agreed with this approach and insertions were applied to the appendix of the RFP, as appropriate.

2. Marketing and Outreach

a) Marketing and outreach to Bidders to increase participation

To facilitate increased awareness and participation, SDG&E created a dedicated website which provided an overview of the EE program solicitation. The website includes several resources including an overview of SDG&E's vision and solicitation process for its EE program solicitation. In addition, the website also includes references to resources such as SDG&E's Business Plan, the joint program solicitation schedule, access to Power Advocate, the statewide PEPMA site and the CAEECC website. The resources can be accessed through the following links below:

- Proposal Evaluation & Proposal Management System - Provides information on the IOU EE Solicitations including a dynamic schedule for all Third-Party solicitations at <https://pepma-ca.com/Public/Default.aspx>.
- California Energy Efficiency Coordinating Committee - Provides a venue for stakeholders to discuss EE matters while ensuring transparent access to information and opportunities and the various ongoing IOU solicitations taking place at <https://www.caeec.org/>.
- Power Advocate - Website where all RFA/RFP documents and communications will be provided. Bidders will also upload all solicitation documents here <https://w3.poweradvocate.com/>.

b) Training and workshops that were provided to interested Bidders

Pursuant to D.18-01-004,¹² IOUs, in conjunction with the CPUC and CAEECC, also held semi-annual public workshops that included updates to potential Bidders on the IOU Third-Party solicitations. The public workshop that occurred closest to the solicitation release was held on January 29, 2021. SDG&E will continue to look for opportunities to present to interested stakeholders.

c) Efforts to increase bidder awareness of the process and the tools/platforms used to communicate this opportunity

As described above, SDG&E employs various tools, platforms, and conducts bidder workshops in various locations to provide awareness of the solicitations. Additionally, for each solicitation, SDG&E held RFA and RFP Bidder Conferences. Each conference provided information to

¹² D.18-01-004 at 41 – 42 and 46.

Bidders as they began to develop their abstracts and proposals at each respective stage of the solicitation.

3. Industrial Solicitation Event Schedule

Table 4 below documents the event schedule for the Industrial solicitation.

Table 4: Solicitation Event Schedule		
Activities		Date
Stage 1 RFA Events		
1	RFA issued	June 18, 2021
2	Pre-Bid Conference (optional)	June 28, 2021
3	Bidder's deadline to submit written questions	July 9, 2021
4	IOU response due to bidder questions	July 16, 2021
5	Bidder's abstract submission due	July 22, 2021
6	Shortlist notification	September 21, 2021
Stage 2 RFP Events		
1	RFP issued	November 18, 2021
2	Pre-Bid Conference (optional)	November 30, 2021
3	Bidder's deadline to submit questions to IOU	Round 1 – December 8, 2021 Round 2 – December 14, 2021
4	IOU responses due to bidder questions	Round 1 – December 10, 2021 Round 2 – December 17, 2021
5	Bidder's proposal submission due	January 7, 2022
6	Bidder interviews conducted by IOU	March 3 – 4, 2022
7	Bidder shortlist notification	March 30, 2022
8	Contract negotiations and execution	March 31 – August 31, 2022
9	Tier 2 Advice Letter submission	September 21, 2022

4. Independent Evaluator (IE)

D.18-01-004¹³ requires the use of a predetermined pool of IEs. SDG&E selected the specific IE prior to the development of the solicitation and informed its PRG of the selected IE.

a) Name(s) of the IE

SDG&E's IE for the Industrial solicitation is the Mendota Group, LLC.

b) Oversight provided by the IE(s) and a summary of their input / recommendations

The Mendota Group was included in all communications as well as the creation and review of all documents and presentations pertaining to the solicitation process, including RFA, RFP, and contract negotiations. SDG&E accepted a majority of the comments and recommendations that were received in order to make the solicitations clearer. Recommendations included clarifying

¹³ *Id.* at OP 5.

which Strategic Energy Management guidelines are to be used, making updates to the scoring rubric, clarifying bidder response expectations, and incorporating proposed updates to future solicitation processes.

c) IE findings to the PRG regarding the applicable solicitation(s), bid evaluations and selections, and contract negotiations

For each solicitation, the assigned IE provides current observations, findings, and recommendations regarding the various phases of the solicitation. These findings were immediately relayed to SDG&E so it could resolve any concerns or issues. Each IE also provides a status update in the semi-annual IE report filed with the Commission.¹⁴ Additional IE comments for the Industrial solicitation are available in the IE report in Attachment A.

d) Public Version of the Final IE Report

Please refer to Attachment A - Final IE Report (Public).

2. TRANSITION PLAN

A. Ramp-up Activities for Industrial Program

The Implementation Plan for this program will be drafted by Cascade Energy, the Third-Party Implementer responsible for the design and delivery of the SMART Industrials Program. SDG&E will work with the implementer to ensure that the final Implementation Plan and overall program design aligns with the scope of work in the implementer's contract. The final Implementation Plan will be posted on the California Energy Data and Reporting System (CEDARS) no later than 60 days after Commission approval of the Third-Party contract.¹⁵

Upon AL approval, SDG&E will issue a Notice to Proceed (NTP) and initiate ramp-up activities with Cascade Energy. The ramp-up plan will begin with a planning meeting to review and approve all tasks and timelines with the implementer. Following the initial ramp-up activities, meetings will be scheduled, as necessary, to review and approve all deliverables starting with the program's documentation. The implementer will be required to submit all documentation necessary for the delivery of services to SDG&E, such as:

- Final Implementation Plan
- Program Policy and Procedure Manual
- Customer application
- Customer satisfaction survey
- Marketing materials

Simultaneously, SDG&E will conduct a final review of the following items to ensure that all measures can be accurately reported and that the SMART Industrials Program complies with the latest Commission requirements:

¹⁴ SDG&E IE Semi-Annual Reports are available at <https://www.caeccc.org/third-party-solicitation-process>.

¹⁵ D.18-05-041 at OP 3.

- Program measure offerings
- Quality Control procedures
- Measurement and Verification plan

SDG&E will also conduct training on its administrative processes, such as data request and release process, and invoicing and reporting systems. These systems will be used to upload data to support all projects and process invoices.

As part of the onboarding process, the Implementer will be required to provide a detailed “Requirements and Integration Plan” and configure its invoice and reporting tools to support SDG&E’s requirements. SDG&E will then verify that all applicable systems are configured, tested, and ready to support the Implementer’s program operations. Lastly, once system setup activities are complete, SDG&E will coordinate with the Implementer to finalize the program’s marketing materials for distribution and circulation, before providing approval to begin enrolling customers into the program.

B. Ramp-Down Activities for SDG&E’s Existing Industrial Programs

In conjunction with the program ramp-up activities, SDG&E will conduct ramp-down activities for its existing programs that support the industrial sector. The following programs will be replaced by the new SMART Industrials Third-Party Program:

- Comprehensive Audit Program - Industrial (SDGE3229 - SW-Ind-Customer Services – Audits NonRes)
- Energy Efficiency Business Incentives Program – Industrial (SDGE3231 - SW-Ind-Calculated Incentives-Calculated)
- Energy Efficiency Business Rebates Program - Industrial (SDGE3233 - SW-Ind-Deemed Incentives-Commercial Rebates)
- Strategic Energy Management Program - Industrial (SDGE3327 – Strategic Energy Management)

SDG&E will initiate the ramp-down of its existing programs by conducting internal planning meetings to discuss program close-out requirements, timelines, and stakeholder assignments. Program shutdown plans will be drafted in collaboration with SDG&E’s current implementers, as applicable, and circulated for approval, along with program closure notifications. SDG&E will subsequently communicate the program closures to all internal and external stakeholders, through a webinar, and begin executing the shutdown plans to end the existing program offerings for industrial customers.

During this step, close-out activities, such as final inspections and invoicing, will occur. A final report, summarizing the program’s activities and results, will be developed, and reviewed by SDG&E pursuant to the existing implementer’s contract. Finally, after verifying that all shutdown activities are complete, SDG&E will conduct a debrief to discuss lessons learned and to document best practices that can be incorporated into the processes moving forward.

C. SDG&E Contract Functions

As part of its contract management, general administration functions consistent with Commission approved administration functions will continue.¹⁶ Administrative costs are necessary to support the Third-Party program. Contract administrative functions consistent with administrative overhead costs include, but are not limited to, contract administration labor, accounting support, IT services and support, reporting database, regulatory and filing support, data request responses, quality verification of project installation and other ad-hoc support required to verify contract invoices.

In addition to its administration and oversight functions listed above, SDG&E plans to continue using SDG&E staff to ensure a successful delivery of the SMART Industrials Program. SDG&E delivery functions and Direct Implementation Costs for SMART Industrials include, but are not limited to the following:

1. **Engineering**
 - Workpaper development and submittals to ED for approval
 - Workpaper review and updates
 - Measure changes
 - Custom project reviews and submittals
 - Data request responses
 - Response to Recommendation activities
 - Cal TF and DEER support
- 2) **Evaluation, Measurement and Verification (EM&V)**
 - Program and project evaluation activities: Ex-post reviews, Impact Evaluations
- 3) **System Support**
 - System configuration, testing, and maintenance
- 4) **Marketing**
 - Co-branding activities
 - Marketing and communications support

3. STRATEGIC ENERGY MANAGEMENT PLANS

SDG&E is providing the following additional SEM details related to the SEM program development checklist developed by the ED:

A. Number of Cycles

The contract does not specify a number of SEM cycles, but the implementer plans to offer enrollment in SEM Cycle 1 (2 years) with the possibility for continuation into Cycle 2 (2 additional years). The implementer also plans to allow participants from SDG&E's existing SEM Program, which is closing, the opportunity to enroll in Cycle 3 (another 2 years). The three

¹⁶ CPUC's Energy Efficiency Policy Manual Version 6 Appendix (April 2020) *available at* <https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/e/6442465683-eepolicymanualrevised-march-20-2020-b.pdf>.

cycles sequentially follow one another and will offer participants additional tools and time to capture energy savings. Therefore, participation in Cycles 2 and 3 is limited to eligible customer facilities who have completed all prior cycles.

B. Percentage of Third-Party Requirement

The contract is structured so that the implementer's compensation is predominantly performance-based and does not specify a percentage of the budget that SEM will comprise. However, the program as a whole represents about 4% of SDG&E's contracted budget for program year 2023.

C. Deemed Savings Measure Allocation

This program is not limited to a SEM approach only. Instead, it will incorporate Custom, Deemed, Site-specific NMEC, and SEM intervention strategies. Deemed savings resulting from the program's engagement will be attributed to the program itself and will follow the latest version of the Statewide Deemed Workpaper Rulebook.¹⁷ Only the SEM components of the program will claim a net-to-gross ratio of 1.0 as allowed in D.16-08-019¹⁸ and an effective useful life of 5 years based on the Commission-issued Potential and Goals Study for 2018 and Beyond in D.17-09-025.¹⁹

D. Targeted Subsector Cohorts

The program targets all subsectors within the Industrial Sector, including industrial-sector tenants of the Port of San Diego, throughout SDG&E's service territory.

E. SEM Participation

The program will procure participants through direct customer outreach conducted by the implementer's staff. Outreach strategies will vary depending on customer size, but the implementer plans to leverage SDG&E's Account Executives, along with its own network of contacts, collaborate with industry associations, and conduct market research to identify prospective customers, as well as with potential candidates for SEM. The implementer will then schedule a virtual or in-person meeting with each prospect to assess their interests and needs and screen for SEM readiness. To be eligible for the program, the customer must have an active SDG&E electric or natural gas account that pays the Public Purpose Program (PPP) surcharge and be classified as "industrial" by their North American Industry Classification System (NAICS) code or SDG&E. The contract does not specify SEM participation targets, but this information will be included in the Implementation Plan.

¹⁷ California Technical Forum, Statewide Deemed Workpaper Rulebook (Version 4.0), *available at* <https://www.caltf.org/tools>.

¹⁸ D.16-08-019 at 41.

¹⁹ D.17-09-025 at Appendix 1 (Navigant 2018 Energy Efficiency Potential & Goals Study for 2018 and Beyond), p. 73.

F. Budget Allocations, Anticipated Savings, Anticipated TRC

The budget, savings, and TRC values set forth in the contract are related to the program, of which SEM is a component part. Overall, it is a highly cost-effective program designed to deliver a four-year average TRC of 1.28 with a total EE budget of \$15,831,757. The forecast submitted in the Cost Effectiveness Tool (CET) has SEM targets of approximately 16.8 million kWh, 1,679 kW, and 178,000 Therms over the contract's four-year implementation period.

4. SEM ELEMENTS TO BE INCLUDED IN THE IP

The SMART Industrials Program will adhere to the California SEM Design Guide for Cycle 1, 2, and 3²⁰ as well as the California SEM M&V Guide.²¹ SDG&E will work diligently with the implementer to develop the Implementation Plan and incorporate all items identified in Attachment C attached hereto.

5. CONFIDENTIALITY

Appendices A, B, C, D and E of this AL contain confidential information and are to be treated as Confidential Protected Information pursuant to D.21-09-020, Public Utilities Code Section 583, and General Order 66-D Revision 2. All confidential information is redacted in the public version.

PART ONE ATTACHMENT LIST (PUBLIC VERSION)

- Attachment A - Final IE Report
- Attachment B - Program-Level Measurement & Evaluation (M&V)
- Attachment C - SEM Elements to be Included in The Program Implementation Plan

PART TWO ATTACHMENT LIST (CONFIDENTIAL VERSION ONLY)

- Appendix A - Final IE Report (Confidential)
- Appendix B - Solicitation Process Overview (Confidential)
- Appendix C - Selection Spreadsheet(s) (Confidential)
- Appendix D - Third-Party Contract Summary (Confidential)
- Appendix E - Contract (Confidential)

EFFECTIVE DATE

This submittal is subject to Energy Division disposition and should be classified as Tier 2 pursuant to GO 96-B and D.18-01-004. SDG&E respectfully requests that this submittal be approved effective October 21, 2022, 30 days from the date filed.

²⁰ California SEM Design Guide For: Cycle 1, 2, and 3, Version 1.01, Sergio Dias Consulting, LLC (July 5, 2022), *available at*

https://pda.energydataweb.com/api/view/2647/CA_3_CYCLE_SEM_Design_Guide_V1.01.pdf

²¹ California SEM M&V Guide, Version 3.02, Sergio Dias Consulting, LLC (July 6, 2022), *available at*

https://pda.energydataweb.com/api/view/2648/CA_SEM_MV_Guide_v3.02.pdf

PROTEST

Anyone may protest this AL to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be submitted electronically and must be received by October 11, 2022, which is 20 days from the date filed. There is no restriction on who may file a protest.

The protest should be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. A copy of the protest should also be sent via e-mail to the address shown below on the same date it is delivered to the Commission.

Attn: Greg Anderson
Regulatory Tariff Manager
E-mail: GAnderson@sdge.com
SDGETariffs@sdge.com

NOTICE

A copy of this submittal has been served on the utilities and interested parties shown on the attached list, and to service list R.13-11-005 by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by email to SDGETariffs@sdge.com.

/s/ Clay Faber

CLAY FABER
Director – Regulatory Affairs



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.:

Utility type:

☐ ELC ☐ GAS ☐ WATER
☐ PLC ☐ HEAT

Contact Person:

Phone #:

E-mail:

E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

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

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

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

Confidential treatment requested? ☐ Yes ☐ No

If yes, specification of confidential information:

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

Resolution required? ☐ Yes ☐ No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

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

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

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

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

General Order No. 96-B
ADVICE LETTER SUBMITTAL MAILING LIST

cc: (w/enclosures)

Public Utilities Commission
CA. Public Advocates (CalPA)

R. Pocta
F. Oh

Energy Division

M. Ghadessi
M. Salinas
L. Tan
R. Ciupagea
K. Navis
Tariff Unit

CA Energy Commission

B. Penning
B. Helft

Advantage Energy

C. Farrell

Alcantar & Kahl LLP

M. Cade
K. Harteloo

AT&T

Regulatory

Barkovich & Yap, Inc.

B. Barkovich

Biofuels Energy, LLC

K. Frisbie

Braun & Blaising, P.C.

S. Blaising
D. Griffiths

Buchalter

K. Cameron
M. Alcantar

CA Dept. of General Services

H. Nanjo

California Energy Markets

General

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Cameron-Daniel, P.C.

General

City of Poway

Poway City Hall

City of San Diego

L. Azar
J. Cha
D. Heard
F. Ortlieb
H. Werner
M. Rahman

Clean Energy Renewable Fuels, LLC

P. DeVille

Clean Power Research

T. Schmid
G. Novotny

Commercial Energy

J. Martin
regulatory@commercialenergy.net

Davis Wright Tremaine LLP

J. Pau

Douglass & Liddell

D. Douglass
D. Liddell

Ellison Schneider Harris & Donlan LLP

E. Janssen
C. Kappel

Energy Policy Initiatives Center (USD)

S. Anders

Energy Regulatory Solutions Consultants

L. Medina

Energy Strategies, Inc.

K. Campbell

EQ Research

General

Goodin, MacBride, Squeri, & Day LLP

B. Cragg
J. Squeri

Green Charge

K. Lucas

Hanna and Morton LLP

N. Pedersen

JBS Energy

J. Nahigian

Keyes & Fox, LLP

B. Elder

Manatt, Phelps & Phillips LLP

D. Huard
R. Keen

McKenna, Long & Aldridge LLP

J. Leslie

Morrison & Foerster LLP

P. Hanschen

MRW & Associates LLC

General

NLine Energy

M. Swindle

Stoel Rives LLP

Seth Hilton
Lilly McKenna

NRG Energy

D. Fellman

Pacific Gas & Electric Co.

M. Lawson
M. Huffman
Tariff Unit

RTO Advisors

S. Mara

SCD Energy Solutions

P. Muller

SD Community Power

L. Fernandez
L. Utouh

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

C. Frank

SPURR

M. Rochman

Southern California Edison Co.

K. Gansecki

TerraVerde Renewable Partners LLC

F. Lee

TURN

M. Hawiger

UCAN

D. Kelly

US Dept. of the Navy

K. Davoodi

US General Services Administration

D. Bogni

Valley Center Municipal Water Distr

G. Broomell

Western Manufactured Housing
Communities Association

S. Dey

Copies to

AddisScott9@aol.com
ckingaei@yahoo.com
clower@earthlink.net
hpayne3@gmail.com
puainc@yahoo.com
AKanzler@anaheim.net

Service List

R.13-11-005

San Diego Gas & Electric Advice Letter 4079-E

ATTACHMENT A

Declaration from The Mendota Group, LLC & Final Independent Evaluator's Report

September 8, 2022

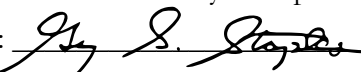
Topic: Declaration of Grey Staples Regarding Confidentiality of Certain Data/Documents Pursuant to Decision 19-01-028.

I, Grey Staples, do declare as follows:

1. I am an Energy Efficiency Independent Evaluator (IE) under contract with San Diego Gas & Electric Company (SDG&E). I have the authority to sign this declaration as Managing Director of The Mendota Group, LLC (SDG&E's IE). I have reviewed the confidential information included within the Energy Efficiency Independent Evaluator's Final Report on SDG&E's Third-Party Solicitation Process for its Local Industrial Program (IE Final Solicitation Report), dated September 8, 2022, submitted concurrently herewith. I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.
2. I hereby provide this Declaration in accordance with Decision 19-01-028 and General Order (GO) 66-D Revision 1 to demonstrate that the confidential information (Protected Information) provided in the IE Final Solicitation Report, dated September 8, 2022, is within the scope of data protected as confidential under applicable law.
3. The information highlighted in black within the IE Final Solicitation Report is proprietary to SDG&E, its customers, and its bidders to their solicitations, and as such it could result in a competitive disadvantage or a breach of privacy if disclosed publicly. The information is to be treated as Confidential Protected Information for the reason(s) provided in the attached table titled: Confidentiality Matrix, (specifically Project Information, Market Sensitive Business Practices, and Contract Information).
4. In accordance with the narrative justification described in Paragraph 3, the Protected Information should be protected from public disclosure and be deemed Confidential.
5. In accordance with Decision 19-01-028 and GO 66-D Revision 1, the Commission should contact the following individuals regarding questions about Confidentiality and/or the potential release of information by the Commission per Section 5 of this GO:
 - (1) Grey Staples; (651) 253-8171; gstaples@mendotagroup.com
 - (2) Stacie Atkinson (858) 654-6471; SATkinson@semprautilities.com

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 8th day of September 2022, at Mendota Heights, Minnesota.

By: 

Name: Grey Staples
EE Independent Evaluator

Compliance Table				
Data Element Included Y/N	Data Element(s)	Location	Justification	Legal Citation
Y	Market Sensitive Business Practices: EE Solicitation Documents	Energy Efficiency Independent Evaluator's Final Report, dated September 8, 2022, all information highlighted in yellow.	SDG&E's business decision making processes and results of these processes are proprietary to SDG&E and could result in a competitive disadvantage if disclosed publicly.	Market Sensitive Information: Gov't Code §§ 6254(k), 6254.7(d); Evid. Code §1060; Civil Code §3426 et seq.; Gov't Code §§ 6254(k), 6254.7(d); Evid. Code §1060; Civil Code §3426 et seq.
Y	Contracts: Documents provided to utilities subject to non-disclosure, confidentiality agreements, or other confidentiality restrictions. Contracts between the utility and third-party vendors that contain confidentiality clauses, Vendor bid and pricing information (including rates and invoices), Customer and vendor proprietary information, Copyright materials obtained by the utility pursuant to license or other agreement.	Energy Efficiency Independent Evaluator's Final Report, dated September 8, 2022, all information highlighted in yellow.	Based on input received by third-party bidders and based on SDG&E's concurring position, the produced documents are proprietary and represent and contain proprietary, commercially sensitive, trade secrets, and content not intended for public disclosure. Third party bidders' efforts involve communications which are intended only for access by designated members. Public disclosure would pose potential negative impacts and/or harm to third party bidders.	CPRA Exemption, Gov't Code § 6254(k) ("Records, the disclosure of which is exempted or prohibited pursuant to federal or state law"). See, e.g., D.11-01-036, 2011 WL 660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program is proprietary and commercially sensitive and should remain confidential). Valley Bank of Nev. v. Superior Court, 15 Cal. 3d 652, 658 (1975) (financial information is protected – especially of non-parties).

Energy Efficiency Independent Evaluator's Final Solicitation Report

San Diego Gas & Electric Company

Local Industrial Solicitation

Local Industrial – Port Tenants Solicitation

Contract:

Cascade Energy's SMART (Savings, Measurement, Assistance, Rebates, Training) Industrials Program

Prepared by:



Independent Evaluator

September 8, 2022

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Executive Summary

In compliance with the California Public Utility Commission's (CPUC) requirements per Decision (D.) 16-08-019 and to fulfill commitments as presented in San Diego Gas & Electric's (Company or SDG&E) Business Plan¹ and Solicitation Plan,² the Company conducted its Local Industrial Solicitation and Local Industrial – Port Tenants solicitations to select one or more third-party contractors to implement a Resource Acquisition program to serve non-residential customers defined as Industrial, including Industrial customers served by the Port of San Diego.³ SDG&E selected Cascade Energy's SMART (Savings, Measurement, Assistance, Rebates, Training) Industrials Program to serve the Company's entire industrial customer base.

In our view, SDG&E conducted the Local Industrial and Local Industrial – Port Tenants solicitations fairly, transparently and without bias. The entire solicitation process took approximately 13 months and did not experience major delays. As described in the contract, the SMART Industrials Program offers a suite of energy efficiency services to SDG&E's entire Industrial Sector, including industrial customers served by the Port of San Diego, tailored to their business type, size, and financial needs. SMART Industrials leverages strategic energy management (SEM), training for customers and vendors, high-quality engineering support, attractive incentives and financing options, and an innovative path to cost-effective energy savings for the significant number of small and medium businesses (SMBs) within SDG&E's industrial base.” A summary of the program's contracted term and goals follow:

Item	Contract Provision
Contract Term	66 months
Budget	\$15.95M ⁴
Net kWh (First Year)	38,813,978
kW	3,899
Net Therms (First Year)	714,051
Total Resource Cost (TRC) Test	1.28
Program Administrator Cost (PAC) Test	1.38
Total System Benefit (TSB)	\$21,602,274

¹ “Building a Better Energy Efficient Future – SDG&E's Energy Efficiency Business Plan 2018-2025”, San Diego Gas & Electric Company, January 2017.

² “San Diego Gas & Electric Company's (U 902-M) Solicitation Process Proposal”, August 4, 2017.

³ SDG&E released two concurrent solicitations targeted at Industrial customers, an Industrial solicitation and an Industrial – Port Tenants solicitation. As discussed in the report, the contract consolidates these two programs.

⁴ Includes Limited EE-DR Integration funding.

1. Background

The Independent Evaluator Final Solicitation Report (Report) provides an assessment of the solicitation process and outcomes for San Diego Gas & Electric Company's (Company or SDG&E) third-party Local Industrial and Local Industrial – Port Tenants by the solicitation's assigned Independent Evaluator (IE or EE IE), The Mendota Group, LLC. The Report provides a record of the entire solicitation in compliance with California Public Utilities Commission (CPUC) direction and accompanies the utility's Advice Letter filing for CPUC contract approval.⁵

1.1 Regulatory Context

In August 2016, the CPUC approved Decision 16-08-019, which defined a “third-party program” as a program proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator (PA). On January 11, 2018, the CPUC adopted Decision 18-01-004 directing SDG&E, the Pacific Gas & Electric Company (PG&E), Southern California Edison (SCE), and Southern California Gas Company (SoCalGas)—to ensure that their EE portfolios contain a minimum percentage of third-party programs by predetermined dates over the three years following the decision. CPUC Decision 18-05-041 provided further direction:

The third-party requirements of Decision 16-08-019 and Decision 18-01-004 are required to be applied to the business plans of the investor-owned utilities approved in this decision. All utility program administrators shall have at least 25 percent of their 2020 program year forecast budgets under contract for programs designed and implemented by third parties by no later than December 19, 2019.⁶

1.2 Independent Evaluator Role

The CPUC per D.18-01-004 requires that IOUs solicit and contract with a pool of independent evaluators with energy efficiency expertise. According to OPN 5, the IEs shall provide at least the following services:

- Consultation and support to the procurement review groups.
- A report on each solicitation to be presented to the appropriate procurement review group.
- A semi-annual report on the overall process and conduct of the third party solicitations, to be filed in the relevant energy efficiency rulemaking proceeding.
- An individual report on the solicitation process resulting in any contract award valued at \$5 million or greater and/or with a contract term of longer than three years, to be submitted along with the Tier 2 advice letter seeking Commission review of such contracts.⁷

Key concerns the CPUC expressed about third-party solicitations and items that IEs are charged with helping to mitigate are risks associated with:

⁵ Decision 18-01-004, “Decision Addressing Third Party Solicitation Process for Energy Efficiency Programs”, California Public Utilities Commission, January 11, 2018, OPN 5.

⁶ Decision 18-05-041, “Decision Addressing Energy Efficiency Business Plans”, California Public Utilities Commission, May 31, 2018, OPN 4. D. 18-01-004 had established an original due date of December 31, 2018 for the 25 percent requirement.

⁷ D. 18-01-004, OPN 5.

- Contracting bias. Because many utilities have existing third party relationships, likely including both positive and negative experiences from past interactions, there is a risk that utilities could exhibit some bias for or against certain contractors, including smaller contractors, in the RFA/RFP process. This could result in contract or program failure.
- Poor RFP design. Another possible risk is that the ultimate RFP design by the utilities intentionally or inadvertently thwarts the intentions of successful program design, delivery, and realized savings, for some or all sectors and subsectors of customers. Again, contract or program failure could be a result.⁸

We believe that the industrial solicitations were free from bias against or for individual contractors and that the solicitations were well-designed and produced good results.

1.3 Two-Stage Solicitation Approach

The CPUC requires that IOUs conduct a two-stage solicitation approach for soliciting third party program design and implementation services as part of the energy efficiency portfolio “unless there is a specific schedule-related reason only one stage is possible”.⁹ The Decision further states that the “two-stage process should be the predominant approach.” The typical two stages include a higher-level Request for Abstract (RFA), followed by a more detailed Request for Proposal (RFP). SDG&E incorporated an interview into the RFP stage of the process.

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

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

1.4 Extension Request

In a letter dated October 11, 2019, SDG&E requested an extension to June 30, 2020 to have contracts signed for its Small Commercial Program, its Large Commercial Program and its Multifamily program (in order to meet the 25 percent requirement). On November 25, 2019, the CPUC granted SDG&E’s request for an extension to June 30, 2020 to meet the 25 percent threshold.¹⁰

⁸ D. 18-01-004, page 32.

⁹ D.18-01-004, COL 5.

¹⁰ CPUC Letter to IOUs regarding the “Request for Extension of Time to Comply with Ordering Paragraph 4 of Decision 18-05-041”, November 25, 2019. All four IOUs received extensions: SDG&E and PG&E to June 30, 2020 and SoCalGas and SCE to September 30, 2020.

In its response, the CPUC further stated that, consistent with Decision 18-05-041, the IOUs must have at least 40 percent of their EE portfolios under contract for programs designed and implemented by third parties by December 31, 2020. The CPUC further stated that it would not grant any more extensions for the IOUs for meeting the third-party percentage requirements specified in Ordering Paragraph 4 of Decision 18-05-041.

2. Solicitation Overview

2.1 Overview

SDG&E utilized a two-stage RFA and RFP solicitation process to solicit proposals for its Local Industrial and Local Industrial – Port Tenants programs. As discussed in this report, SDG&E issued its Local Industrial and Local Industrial – Port Tenants solicitations simultaneously and indicated to bidders that, although the solicitations had distinct scopes, in the event the company selected one implementer for both programs, they would expect that the selected implementer would be able to reduce costs for each program due to operational synergies. SDG&E ultimately chose a single contractor, Cascade Energy, Inc. to implement both programs and, in turn, opted to combine the two scopes into a single contract. This report provides descriptions of both solicitations up to the point in the solicitation process when SDG&E combined the scopes into a single contract. Most of the documents and processes were virtually the same for both solicitations. Therefore, for ease of navigating the report, we combined content where possible and indicated to which solicitation(s) the section refers.

a. Scope

Industrial

The Solicitation sought innovative third-party resource acquisition proposals for a program to reliably capture cost-effective energy savings (kWh, kW and/or Therm) applicable to the Company's Industrial customer facilities. The target market for the solicitation was the Company's entire Industrial Sector, excluding the customers served by The Port of San Diego. As the RFA explained, "we have separated the solicitations because of the unique nature of the Port's customers and believe that the two programs may require different program designs to best achieve success."

The RFA further explained that, "while a variety of manufacturing establishments make San Diego their home, San Diego still is not considered a 'manufacturing boomtown.'" SDG&E provides electric and gas service to approximately 21,000 industrial accounts and, although the sector is relatively small in terms of total energy consumed, it includes some of Company's largest consuming individual customers. The majority of the customers in the sector are in the small to medium range with 96 percent of accounts having electric demand under 200 kW and 74 percent under 20 kW.

Industrial – Port Tenants

Similarly, the Industrial – Port Tenants solicitation sought innovative third-party resource acquisition proposals for a program that would reliably capture cost-effective energy savings (kWh, kW and/or Therm) applicable to the Port Tenants portion of SDG&E's Industrial customer base. This group of customers includes industrial customers who operate inside the entrusted 34 miles of San Diego's bay and waterfront lands managed by The Port of San Diego. SDG&E opted to separate its non-Port Industrial and Port Industrial solicitations because of the potentially unique challenges

Industrial Port Tenant customers face and opportunities created by California Assembly Bill (AB) 628. AB 628, among other topics, calls for assessment and implementation of energy efficiency at the state's ports.

This approach was consistent with SDG&E's 2017 Business Plan which highlighted, with respect to the Company's industrial customers that third-party solicitations would aim to:

- Add value (to the sector) by bringing external industry expertise that will drive customer participation in programs and encourage customers on a continued path towards deeper savings,
- Unlock deeper savings through Strategic Energy Management ("SEM") offerings¹¹, and
- Target customers at the Port of San Diego per Assembly Bill 628.¹²

b. Objectives

SDG&E's Industrial and Industrial – Port Tenants solicitations recognized that the Company's Industrial Sector includes a diverse group of customers, many of whom have highly complex and sometimes proprietary systems that necessitate a customized approach to energy efficiency implementation. As presented in its Business Plan, the Company's mission for its Industrial Sector is to educate and enable customers on their path to increased sustainability by providing targeted energy tools and solutions and continuous improvement offerings.¹³ In a departure from SDG&E's current practice where there is not a program specifically geared towards industrial customers, a new program focused on this customer base is anticipated to create a more specialized offering that could better serve these customers' needs.

2.2 Timing

As described to its PRG and communicated to bidders in the RFA, the solicitation timeline aligned very closely with actual results. SDG&E anticipated that contract negotiations would complete at the end of June 2022, with an Advice Letter filing in the third quarter of 2022. Contract negotiations ended in July 2022, and the Company is on track to submit its Advice Letter in Q3. There were no significant delays during the process. During this solicitation process, SDG&E continuously sought to identify ways to further streamline the process and reduce its timelines. In addition, the Procurement Review Group accommodated requests from SDG&E to hold multiple "off-cycle" meetings that deviated from the usual monthly PRG meeting cadence. During these meetings, the Company presented results from a particular milestone (e.g. advance to interview, advance to contract negotiations). This also helped reduce the timeline.

As discussed in this report, it is expected that improvements incorporated into this solicitation will enable the Company to further reduce the overall solicitation process timeline for future solicitations. The length of time it takes for utilities to conduct their solicitations has been a major

¹¹ "Strategic Energy Management is a continuous improvement approach to reducing energy intensity over time, characterized by demonstrated customer commitment, planning and implementation, and systematic measurement. SEM focuses on business practice change, affecting organizational culture, and improving capacity to successfully reduce and improve energy intensity." *CEE Industrial Strategic Energy Management Initiative*, Consortium for Energy Efficiency, January 17, 2014. The CPUC publishes SEM Design and SEM M&V Guides to guide SEM program implementation.

¹² "Application of San Diego Gas & Electric (U 902-M) to Adopt Energy Efficiency Rolling Portfolio Business Plan" (Application 17-01-014), January 17, 2017, p. 7.

¹³ Business Plan, p. 136.

concern raised by stakeholders. These concerns culminated with the Energy Division providing recommended maximum timelines for stages of utility two-stage solicitation processes. These guidelines were incorporated into the Energy Efficiency Procurement Review Group Solicitation Guidelines, version 2 (January 2022).¹⁴

Table 2.1 below shows the solicitations' key milestones. The milestones apply to both the Industrial and Industrial – Port Tenants solicitations.

Table 2.1 - Key Milestones		
Milestones	Completion Date	Weeks to Complete
RFA Stage		
Solicitation Launch	June 18, 2021	14 weeks
Bidders’ Conference	June 28, 2021	
Abstract Submittal Deadline	July 22, 2021	
RFA Shortlist to PRG	September 14, 2021	
Shortlisting Notification	September 21, 2021	
RFP Stage		
Solicitation Launch	November 18, 2021	20 weeks
Bidders’ Conference	November 30, 2021	
Proposal Submittal Deadline	January 7, 2022	
Interviews	March 3 – March 4, 2022	
RFP Shortlist to PRG	March 18, 2022	
Contracting Notification	March 30, 2022	
Selections & Contracting Stage		
Contracting and Negotiations Period	March 30 – July 19, 2022	22 weeks
Contract Presented to PRG	July 27, 2022	
Contract Execution	August 31, 2022	

2.3 Key Observations

Table 2.2 represents a collection of key IE issues, observations and outcomes, where applicable, from the assigned IE for SDG&E's Local Industrial and Industrial – Port Tenants solicitations. In addition, Section 7 includes a set of noteworthy Effective Solicitation Practices that SDG&E employed during this solicitation.

¹⁴ The Energy Efficiency Procurement Review Group Solicitation Guidelines are a detailed set of instructions designed to streamline PRG feedback by providing consistent, standardized recommendations to IOUs. The guidelines are accompanied by templates, a PRG Guidelines checklist and other supporting document (such as the recommended timeline for solicitations).

Table 2.2: Key Issues and Observations			
Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
General			
Reducing solicitation timelines	SDG&E can further reduce its overall solicitation timeline and ensure consistency between RFA and RFP by developing documents for each stage in parallel.	We support the idea of beginning development of RFP in parallel with the RFA to both reduce the timing gap that emerges between RFA and RFP and to help ensure consistency/coverage between the two stages.	SDG&E is implementing this recommendation in late 2022 solicitations.
RFA Stage			
Refinements to RFA Materials	RFA solicitation documents/scoring rubric generally worked well. The limited number of bidder questions (11) and shorter bid documents (~24 pages) resulted in both lower burden on bidders and an efficient review process		SDG&E has continued to evolve its RFA documents to both reduce the number of questions and ensure that information requested helps draw clear distinctions between bids.
RFA Savings Targets	For Resource Acquisition programs, SDG&E includes in its RFA target savings values for the program.	We do not believe SDG&E should provide target savings values as bidders will generally provide proposals that match these target values. This doesn't allow for distinction between bids.	SDG&E adopted this recommendation.
Strategic Energy Management (SEM)	SDG&E's Business Plan emphasizes the important role that should play in its industrial programs.	The RFA should make clear that SEM is a viable approach for bidder proposals and provide bidders the latest CPUC guidance related to SEM.	SDG&E agreed and incorporated language about SEM in its RFA and called attention to it in its Bidders Conference.
RFP Stage			
Using a Word	SDG&E previously asked	We recommend that SDG&E	SDG&E believes this information contains

Table 2.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
template for RFP responses	Bidders to submit proposal in Excel format, for both narrative and quantitative information. With its Local Agriculture solicitation, the utility changed this allow bidders to submit most narrative information in Word; Excel is used primarily for quantitative information.	continue to put more information into its Word form, such as Experience, References and Staffing Plan. In general, we think items that have a lot of words, whether or not they can be put into tables, are best provided in Word format as it makes it easier for Bidders to input and for reviewers to evaluate.	enough quantifiable information to still remain in Excel form.

Contracting

Lengthy Contracting Process	A lengthy contracting process delays program implementation and places burdens on all parties involved (IOU, 3P, IE).	SDG&E should work with its IE pool to develop creative ways to expedite the contracting process without sacrificing the fairness, transparency and quality of outcomes. Some suggestions include: establishing with the implementer deadlines for finalizing documents, prioritizing and incorporating	SDG&E has begun these discussions with IEs.
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Table 2.2: Key Issues and Observations

Topic	Observation	IE Recommendation(s)	Outcome / Lessons Learned
		earlier in the process discussions about elements that can slow the process (compensation, technical aspects, etc.), being clear with 3Ps about the utility's contracting priorities and allowing the third-party to do the same.	

3. RFA Bidder Response and Selections

3.1 RFA Development

SDG&E provided the Independent Evaluator and the Procurement Review Group ample opportunity to review its Request for Abstract documents and scorecard.

The RFA solicitation package included the following documents:

- **RFA Instructions** – A Microsoft Word document providing the regulatory context, submission requirements, and the instructions for all bidders to follow in preparing their proposals.
- **Schedule A1** – Standard and Modifiable Terms and Conditions (the documents include a link to the CPUC’s Standard and Modifiable Terms from Decision 18-10-008)
- **Schedule B – RFA Abstract Response Form** – The Word document with questions that Bidders complete and submit (includes word limits for each of 11 questions)
- **Schedule C – RFA Checklist and Acknowledgement Form** – A checklist of the documents that Bidders must complete and return, including information (contact information, etc.) Bidders must enter into SDG&E’s online solicitation tool PowerAdvocate^{® 15}.

The solicitation packages for the Industrial and Industrial – Port Tenants RFAs were virtually identical except for the scope descriptions in the RFA Instructions.

3.2 RFA Outreach

SDG&E’s outreach strategy focused on three primary methods of informing and educating bidders about the solicitation opportunity, via the web, email, and through Diversified Business Enterprise (DBE) outreach events.

- SDG&E has a dedicated Third-Party Energy Efficiency Solicitations website, [Energy Efficiency Third Party Solicitations](#), which includes a solicitation schedule, specific pages for general solicitation resources, and registration information in PowerAdvocate. Suppliers can also visit the Opportunities Dashboard in PowerAdvocate to view active solicitations and request access to solicitation documents.
- Solicitation Notifications are posted to the Proposal Evaluation & Proposal Management Application (PEPMA): <https://pepma-ca.com/Public/Default.aspx>. PEPMA is a website sponsored by all four IOUs and includes information about upcoming and released solicitations.
- Solicitation information is posted to the CAEECC’s web site: <https://www.caeccc.org/third-party-solicitation-process>.
- A posting about the solicitation on SDG&E’s LinkedIn page reached over 27,000 followers.
- Email: SDG&E sent messages to –

¹⁵ Energy consultancy Wood Mackenzie purchased PowerAdvocate in September 2021 and in early 2022 re-branded the tool as Wood Mackenzie. Through the bulk of this solicitation, the name of the tool was PowerAdvocate.

- the CPUC service list for A.17-01-013 (Business Plan Applications),
- the Company's Supplier Diversity Diverse Business Enterprise (DBE) list,
- American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) San Diego (more than 2,000 contacts),
- San Diego Green Building Council,
- California Energy Efficiency + Demand Management Council (CEDMC),
- Trade Pro Alliance (more 980 trade professionals),
- San Diego Port Tenants Association.

The IE was not actively involved in solicitation outreach, but we tracked the progress of the outreach efforts to assess whether they were sufficient. We considered them sufficient.

3.3 RFA Bidders' Conference and Q&A

SDG&E held a combined Industrial and Industrial-Port Tenants Bidders' Conference on June 28, 2021. SDG&E broadcast the conference using Sli.do (<https://www.slido.com>), with SDG&E staff using Microsoft Teams to communicate among one another. The platform muted all participants but allowed them to submit written questions with responses in real-time. There were six bidders represented and 36 potential bidders registered for the solicitation in PowerAdvocate.

The Bidders' Conference went smoothly, and SDG&E had several members of the organization present various pieces of information, which was very helpful. There were no technical issues. SDG&E provided background on the solicitation, described the utility's road to 60 percent of its energy efficiency portfolio outsourced to third parties, provided solicitation logistics, introduced the documents in the RFA package, discussed the proposal structure and offer form, shared an overview of the Industrial Sector, and discussed goals and items for bidders to consider. SDG&E also presented both its RFA and RFP solicitation timelines. SDG&E closed with a Q&A period.

SDG&E received eight questions during and after the Bidder's Conference. The questions were mainly focused on whether SDG&E was able to provide bidders with more detail around customer data, budgets and savings targets, and individual segments. The IE reviewed SDG&E's responses to bidder questions for accuracy, clarity, and impartiality and suggested some revisions prior to SDG&E posting the responses to PowerAdvocate.

3.4 RFA Bidders Response

SDG&E projected that it would receive [REDACTED] responses for both its Industrial and Industrial – Port Tenants solicitations. The Company received [REDACTED] abstracts for its Industrial solicitation and [REDACTED] abstracts for its Industrial – Port Tenants solicitation. All [REDACTED] of the Port Tenants bidders also submitted bids for the Industrial solicitation. [REDACTED]

A summary of the abstracts received is shown in Table 3.1.

Table 3.1: RFA Response		
Solicitation	Industrial	Industrial – Port Tenants
Abstracts Expected		
Abstracts Received		
Abstracts Disqualified		
Abstracts Shortlisted		

3.5 Abstract Selection Process

a. Bid Screening Process and Management of Deficient Bids

As described in the RFA Instructions, SDG&E's assigned Contract Management Office (CMO) solicitation lead performed a threshold assessment in which they evaluated proposal responsiveness, including whether bidders: followed RFA instructions, submitted mandatory schedules, provided all required information as requested and in PowerAdvocate, and provided an abstract that could be reasonably scored.

b. Evaluation Team Profile

Five evaluators with broad representation across the SDG&E Energy Efficiency portfolio participated in scoring. All evaluators scored the Abstracts in their entirety.

Table 3.2: Abstract Evaluation Team		
Position Title	Position Role	Area Scored
		All
		All
		All
		All
		All

SDG&E provided a joint Industrial and Industrial – Port Tenants RFA Reviewer Training session on July 20, 2021. The training presented an overview of scoring team responsibilities, as well as an overview of the scoresheet. SDG&E provided a thorough outline of their Conflict-of-Interest policies to ensure that reviewers understood their responsibilities and obligations to report any potential conflicts. No conflicts of interest were reported. SDG&E described their Code of Conduct policies to ensure that reviewers understood their responsibilities and obligations to maintain the confidentiality of bidder submissions, as well as to prevent the sharing of sensitive information between SDG&E staff and existing third-party program implementers.

The training included a focused mock scoring session, with scoring team members mock scoring an industrial-focused fictional abstract response to the innovation question. The mock scoring was effective in engaging scoring team members in discussions about their approach to scoring. One lesson learned coming out of the exercise is to provide the information to the scoring team earlier and request their preliminary review prior to training.

In addition, SDG&E also held three check-in sessions after receipt of abstracts to respond to scoring team questions and discuss progress, during which scorers asked good, clarifying questions to assist with scoring. There were constructive discussions among team members. This is an effective solicitation practice and worked well to surface items that required clarification in the scorecard. The IE believes that SDG&E's reviewers received sufficient training on how to score the abstracts.

c. Scoring Rubric Design

As shown in Table 3.3, the scoring rubric and weightings for individual scoring categories generally balanced SDG&E’s needs with PRG direction. Although the PRG did not recommend any changes to the scoring rubric, they requested clarifications in terms of how the weightings were represented in the scorecard. As discussed in the Key Observations section, the RFA scoring rubric generally worked well; however, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

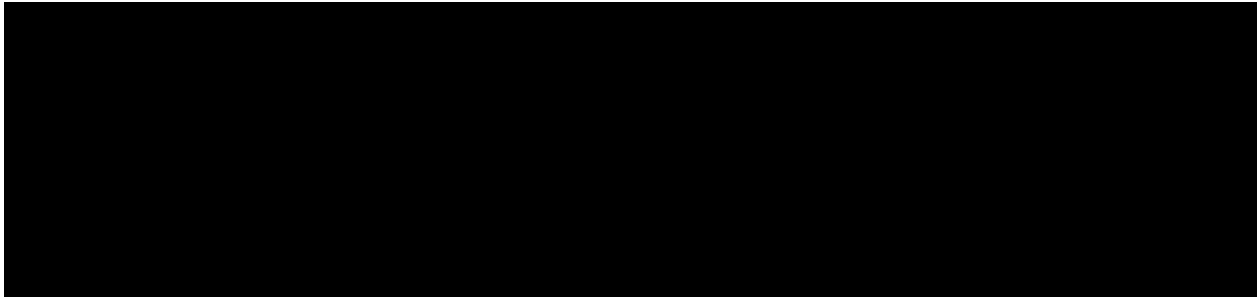
[REDACTED]

There were no differences in evaluation methods for specific technologies, program strategies, measure types, market channels, or other unique characteristics.

Table 3.3 Abstract Scoring Rubric		
Category	Description	Weight
Program Overview & Design	[REDACTED]	[REDACTED]
Innovation		
Program Operations		
Cost & Performance		
Experience & Capability		
Program Compliance		
Total Score		100%

d. Evaluation Processes and Scoring Calibration

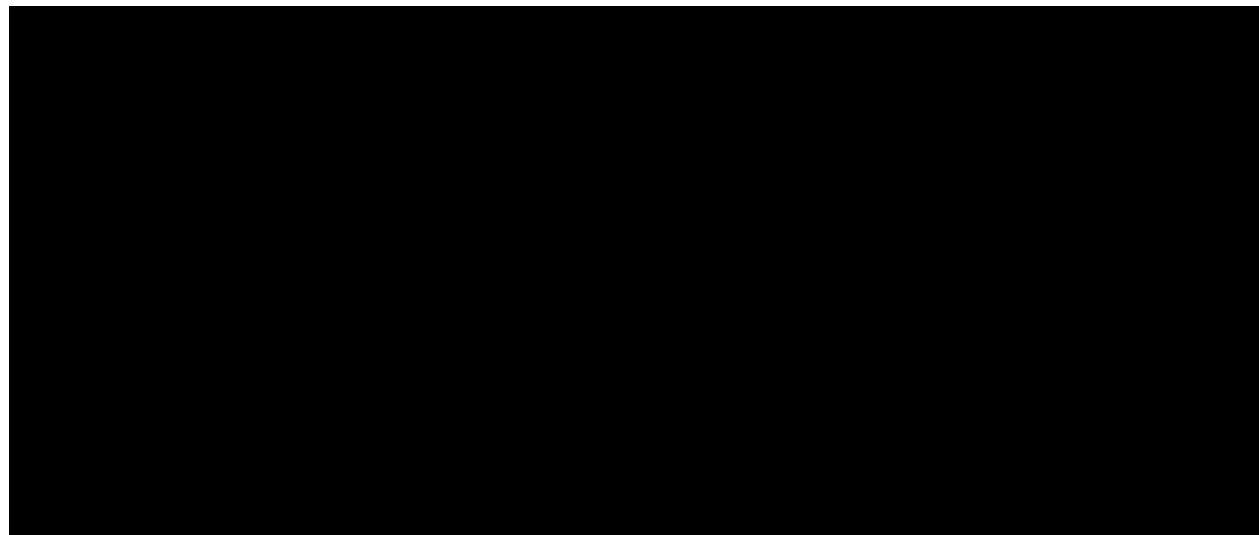
SDG&E held two calibration sessions with members of the scoring team for the Industrial solicitation and one calibration session for Industrial – Port Tenants solicitation. During a calibration session, scoring team members meet to discuss scored questions that deviate by two or more points. Scorers are not required to change their scores but may do so based on discussions. Scores were finalized on August 28, 2021. The IE “shadow-scored” (IE scores are not factored into results) [REDACTED] and attended the calibration meetings. The calibration meetings were efficiently run and provided scorers sufficient opportunity to discuss their scoring perspectives. Calibration sought to discuss those [REDACTED] for which individual scores differed by two or more across scorers. This filter provided a good number of scores for discussion among scorers.



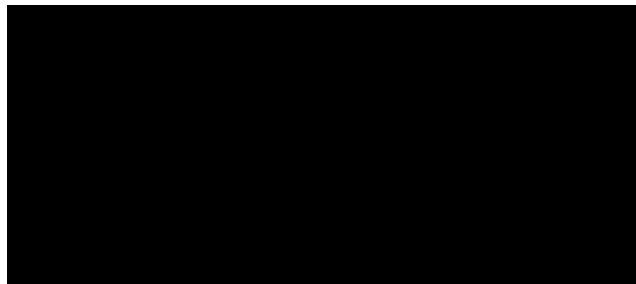
e. Abstract Selections



[REDACTED] The following table shows the bidders for both the Industrial and Industrial – Port Tenants solicitations, [REDACTED] advanced to the RFP stage.



For the Industrial solicitation, our shadow scores largely aligned with SDG&E's with the exception of one [REDACTED] that we scored [REDACTED]. We [REDACTED] than SDG&E and likely would have eliminated them from advancing to RFP; however, given the general parity among scores and good bid quality, [REDACTED] Our scores closely aligned with SDG&E's for the Industrial – Port Tenants abstracts. The scores for the respective solicitations follow.



3.6 PRG and IE Feedback to Abstract Process and Selections

a. Adherence to PRG Guidance and Feedback

The RFA conformed to the PRG Guidance RFA checklist with no exceptions. The PRG requested that SDG&E clarify how bidders could propose IDSM components and opportunities for bidders to propose Strategic Energy Management elements. SDG&E updated the RFA package to address the PRG's suggestions. The PRG did not have any feedback on the Local Industrial and Industrial – Port Tenants bidders selected to advance to the RFP Stage.

b. Response to IE Feedback

Our review of the RFA package involved applying the PRG Solicitation Guidelines and ensuring that the documents were clear, the information provided to bidders promoted a fair solicitation/level playing field and that the solicitation process was well designed. In general, we thought the RFA package and proposed process met these objectives. We confirmed that almost all of the items on the PRG Solicitation Guidelines RFA Checklist were either “yes”, “Partially or

N/A”, or Net Yet”. Of the 31 comments we submitted, SDG&E only disagreed with three. [REDACTED]

4. RFP Bidder Response and Selections

4.1 RFP Development

The IEs review RFP documents and the RFP process based on the PRG Solicitation Guidelines which, as discussed in the RFA section of this report, aim to ensure that documents are clear, information provided and requested promotes a fair solicitation/level playing field, and that the process is transparent. SDG&E’s solicitation package (for both Industrial and Industrial – Port Tenants RFPs) consisted of:

- RFP Instructions (the Instructions include a number of embedded documents such as Contractor Safety Manual, SDG&E’s Business Plan, Implementation Plan template),
- Schedule A – Additional Ts&Cs (SDG&E corporate Ts&Cs),
- Schedule A1 – Standard and Modifiable Ts&Cs,
- Schedule B - RFP Bidders Response Form (Excel doc),
- Schedule B1 – RFP Bidders Response Form (Word doc),
- Schedule B2 – Final Logic Model
- Schedule C – Submittal and Acknowledgement Checklist
- Schedule D1 – CET Input Sheet (Measures)
- Schedule D2 – CET Input Sheet (Program Costs)
- Schedule E – Certificate of Insurance
- Schedule F – DBE Goal Form

The RFP package met all the requirements and incorporated improvements. These improvements included moving much of the proposal form contents to a Microsoft Word file from Microsoft Excel, which is easier on both bidders and scoring team members. SDG&E also continues to reduce the volume of bidder questions and required proposal detail while ensuring that sufficient information is collected to make reasoned judgements about bidders’ proposed programs. More can still be done to streamline both the RFA and RFP portions of the solicitation process, both by moving more content to the Word form and by further reducing the information requested of bidders. We actively support reducing the size of solicitation packages and focusing requests for information on the topics necessary to facilitate a thorough and complete review of bidders’ proposed programs and facilitate contracting if bidder reaches this step.

We also reviewed the RFP in terms of ensuring that questions asked at the RFA stage are not wholesale repeated at the RFP stage; to the extent there are repeated questions, the RFP should request that bidders elaborate on the responses provided at the RFA stage. It is most efficient for the RFP to build upon information received at the RFA stage and to request information that may

not have been part of the previous stage (such as technical assumption and compensation details, and other factors).

As further discussed under Evaluation Processes, SDG&E with this solicitation introduced a revised version of the interview portion of its RFP.

4.2 RFP Bidders' Conference and Q&A

SDG&E held its joint Industrial and Industrial – Port Tenants RFP Bidders' Conference on November 30, 2021. SDG&E strongly encouraged (but did not require) bidders to participate in the Bidders' Conference and all bid teams attended. Bidders posed a limited number of questions during the conference. Most questions focused on how to format the proposal.

Following the Bidder's Conference, SDG&E held two rounds of question and answer. Bidders asked few questions in both rounds. Questions primarily related to budgets and goals.

4.3 Proposal Selection Process

a. Bid Screening Process and Management of Deficient Bids

For the Industrial solicitation, SDG&E received bids from the [REDACTED] companies invited to submit proposals. For the Industrial – Port Tenants solicitation, [REDACTED] [REDACTED] opted not to bid, indicating (incorrectly) through PowerAdvocate that they did not believe they were permitted to potentially win bids for both programs and, therefore, opted to only bid for the Industrial program.

The Company performed a Threshold Assessment of the bids in which the CMO evaluated proposal responsiveness, including whether bidder followed RFP instructions, submitted mandatory schedules, provided all required information, and submitted a proposal that could be reasonably scored. [REDACTED]

b. Scoring Rubric Design

A key consideration in designing a solicitation scorecard is confirming that each part of bidders' proposals is mapped to aspects of the scorecard. This helps ensure that proposals are thoroughly reviewed, and that all bidder-supplied information is evaluated. The scorecard mapped well to the RFP and appropriately weighted evaluation elements to be consistent with the overall emphasis the utility placed on respective aspects of bidders' proposed programs. This is important because it confirms that information requested of bidders is is evaluated (and is not a wasted request).

Table 4.1: Scoring Rubric		
Category	Sub-Category	Weighting
Core Program Elements	[REDACTED]	

Table 4.1: Scoring Rubric		
Category	Sub-Category	Weighting
Measures, Savings, Budgets		
Social Responsibility & Supply Management		
Total		

SDG&E also incorporated a revised approach to the Interview portion of its RFP stage. This revised approach asked scoring team members to use information obtained from bidders during interviews to revise scores they had assigned based on review of proposals. Previously, SDG&E had a stand-alone method of scoring interviews which entailed determining if rankings based on proposal scores required adjustment as a result of information gleaned during interviews.

c. Evaluation Team Profile

evaluators from a variety of disciplines within SDG&E’s energy efficiency group participated in scoring. Evaluators were assigned to score specific portions of bidder proposals.

Table 4.2: Abstract Evaluation Team		
Position Title	Position Role	Area Scored

SDG&E conducted a joint Industrial/Industrial – Port Tenants RFP Reviewer Training session on January 6, 2022. The training provided an overview of scoring team responsibilities and reviewed the scoresheet. SDG&E provided a thorough outline of their Conflict-of-Interest policies to ensure that reviewers understood their responsibilities and obligations to report any potential conflicts. No member of the scoring team reported a conflict of interest. SDG&E described their Code of Conduct policies to ensure that reviewers understood their responsibilities and obligations to maintain the confidentiality of bidder submissions, as well as to prevent the sharing of sensitive information between SDG&E staff and existing third-party program implementers. The training session also sought to level-set scoring team members on scoring questions that were flagged during the RFA stage for clarification – and highlighted changes incorporated to clarify how to score the elements. The training also requested that scorers review one proposal for discussion at the first check-in session.

d. Evaluation Processes and Scoring Calibration

SDG&E has maintained a consistent approach to evaluating proposals at the RFP stage across its solicitations. The process involves:

- conducting scoring team training,
- conducting a threshold assessment on bids received,
- distributing proposals to scoring team members,
- conducting periodic check-ins with scoring team members,
- collecting scores from scoring team members (not from the IE),
- assessing the results to determine which bidders to invite to interviews,
- requesting from the scoring team questions for the interview process,
- conducting interviews,
- holding a final scoring calibration, and
- determining which bidder(s) to advance to contracting.

The IE is involved at each step of the process and shadow scores the entire proposal. We consider the periodic check-ins with the scoring team to be an Effective Solicitation Practice. SDG&E's request that scoring team members score one proposal (pre-selected by the Contract Management Office) before the first check-in also works very well to surface scoring items that require clarification.

In the interest of further reducing timelines, SDG&E changed how it evaluated proposals and shortened the interview length. Previously, SDG&E conducted a full calibration session after review of proposals, conducted a 90-minute interview, evaluated bidder interviews using a separate interview evaluation tool, and then reconvened the scoring team for another calibration session during which the team recommended which bid(s) to advance to contracting. Just as in the RFA stage, during calibration, the scoring team discusses every scored item that has a deviation of 2 or greater in scores among scoring team members. The IE also has the opportunity to review scoring team member scores and compare against its own scores. The IE may request that SDG&E review additional scores that the "2 or greater" approach has not flagged. Generally, though, the IE observes the calibration process for fairness and consistency in application of the scorecard and does not offer scoring suggestions.

In the revised approach, SDG&E eliminated the first calibration session and instead used uncalibrated proposal scores to select bidders to advance to interview. The length of the interview was also reduced to 60 minutes. The scoring team then met to calibrate after the interviews, but adjusted their previous RFP scores (rather than using a separate tool) based on information obtained during interviews.

The scorecard and revised scoring process functioned effectively in fairly evaluating bidder proposals and the input from the scoring team elicited constructive questions to pose to bidders during Interviews. [REDACTED]

[REDACTED]

¹⁶ It should be noted that, subsequent to the Industrial solicitation, SDG&E re-revised its Interview process to restore the calibration session after RFP scoring, but retained the approach that limits interviews to 60 minutes and does not include a separate scorecard for the Interview portion of the process.

[REDACTED]

[REDACTED] SDG&E has

taken this under advisement and is endeavoring to modify the way its scoring team reviews proposals. We believe that continuing efforts to streamline both the RFP and the scorecard will help reduce burden on both bidders and the scoring team.

e. Shortlist and Final Selections

Industrial

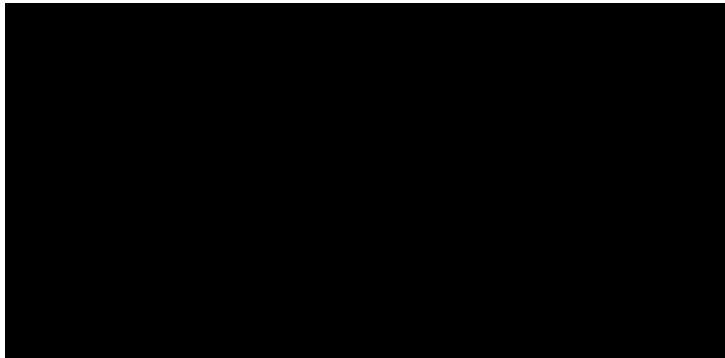
Based on proposal scores, SDG&E advanced [REDACTED] RFP bidders to the Interview step. The [REDACTED] bidders were: [REDACTED]

[REDACTED]

After Interviews, the CMO asked that scoring team members revise their scores based on information received during interviews. Scoring team members then met to calibrate. [REDACTED]

[REDACTED] Although the IE's rankings differed from SDG&E's [REDACTED] we did not see our scoring differences as significant and did not request further review.

SDG&E's final Industrial scores were as follow:



On March 30, 2022, SDG&E invited Cascade to contract negotiations and notified [REDACTED] [REDACTED] The letter to [REDACTED] indicated that SDG&E was

retaining its offer as an alternate option should negotiations with the selected bidder(s) fail to conclude with a signed agreement(s). The notice also offered bidders an opportunity for a debrief at the conclusion of contract negotiations.

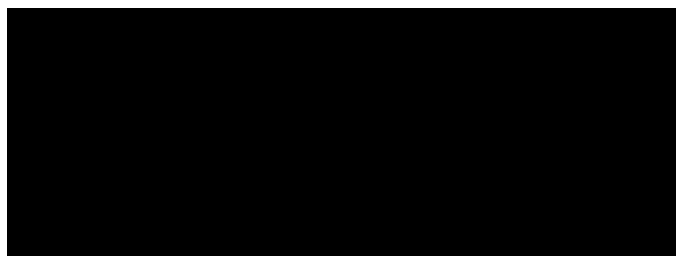
Industrial Port Tenants

Based on their close proposal scores, SDG&E advanced [REDACTED] RFP bidders to the Interview step. The [REDACTED] bidders were: [REDACTED] Our scores also supported advancing [REDACTED] to interview.

After interviews, the CMO asked that scoring team members revise their scores based on information received during interviews. Scoring team members then met to calibrate. [REDACTED]

SDG&E's scoring team recommended [REDACTED]

SDG&E's final Industrial – Port Tenant scores were as follow:



On March 30, 2022, SDG&E invited Cascade Energy to contract negotiations and notified [REDACTED] that, although the company was not advancing to contract negotiations, SDG&E was retaining its offer as an alternate options should negotiations with the selected bidder(s) fail to conclude with a signed agreement. The notice also offered bidders an opportunity for a debrief at the conclusion of contract negotiations.

4.4 PRG and IE Feedback to RFP Process and Selections

a. Adherence to PRG Guidance and Feedback

The RFP conformed to the PRG Solicitation Guidelines with three exceptions. The three exceptions were: [REDACTED]

[REDACTED] With respect to the first, this [REDACTED]. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] We considered all three of these to be minor issues.

The PRG [REDACTED] changes to RFP documents and processes, all which SDG&E accepted. PRG comments related to [REDACTED]
[REDACTED]
[REDACTED]

The PRG also requested that SDG&E better describe [REDACTED]
[REDACTED]
[REDACTED] SDG&E explained that [REDACTED],
[REDACTED]
[REDACTED]. The PRG was comfortable with this explanation.

b. Response to IE Feedback

SDG&E accepted all but 11 of the IE's 71 comments on RFP and scorecard documents (applicable to both Industrial and Industrial – Port Tenants solicitations). IE recommendations that SDG&E did not accept [REDACTED]
[REDACTED] and to move more items from the Excel template to the Word template. In other aspects of the process, SDG&E actively sought and incorporated IE input. This constructive approach was evident with review of: Bidders' Conference documents, draft Q&A, scorer training materials, determinations of which bidders to advance to interview, interview process design, interview questions, and documents used in calibration, among other aspects. SDG&E was very open to receiving input from both the IE and the PRG.

5. Contracting Process

5.1 Contract Negotiations

Before the start of negotiations, SDG&E decided to combine Cascade's Industrial and Industrial – Port Tenants proposals into a single Industrial contract. The Company believed that combining the contracts [REDACTED]
[REDACTED] We agreed with this approach, [REDACTED]
[REDACTED]
[REDACTED] SDG&E also decided to extend the contract term from 3 years to 4 years, given the length of time complex industrial projects can take to implement. We also supported this change [REDACTED]
[REDACTED]

SDG&E developed a contracting strategy document for internal discussions with priority items that they wished to achieve in the final contract and presented a similar version to Cascade which outlined the expected process, the elements of SDG&E's standard contract, and roles and responsibilities. Contract negotiations with Cascade Energy began on March 30, 2022 (the date of

bidder notification).

Overall, the contracting process was smooth, with major topics of discussion focused on [REDACTED]

a. Collaboration on Final Program Design and Scope

Per the CPUC's D. 16-08-019 (OP10), a third party is a program is a program that is: "proposed, designed, implemented, and delivered by non-utility personnel". D. 16-08-019, though, allows utilities during contract negotiations to "consult and collaborate, using their expertise, on the ultimate program design implemented by the third party." (CoL 57) The Decision's definition of a third party seeks to ensure that third parties (not IOUs) are primarily designing and implementing these programs and attempts to guard against utilities directing program design, exerting undue influence in shaping the final program during contract negotiations, or controlling the program's implementation. [REDACTED]

b. Fairness of Negotiations

Negotiations are fair if both sides receive something from the contracting process and one side does not unduly influence the outcome to the detriment of the other party. By this measure, the contract negotiation process was fair. SDG&E's general approach to contract negotiations (with one major exception) is to take the contents of the bidder's proposal and incorporate it into contract documents. This approach is both fair to the bidder who advances to contract negotiations and fair to other bidders who were not advanced because the basis on which the selection was made (the bidder's proposal) is largely maintained. If the bidder or IOU seek to substantially modify the program during contract negotiations, this may not be fair to unsuccessful bidders who were not afforded the opportunity to change their programs (and may have scored better if they were given the chance to change their programs).

As discussed below, the only aspect of the contract that deviated meaningfully from what Cascade proposed related to compensation. [REDACTED]

c. Changes to Contract Terms and Conditions

The contract's Terms and Conditions (Ts&Cs) consisted of Additional Terms and Conditions (Corporate Ts&Cs), and the CPUC's Standard and Modifiable Terms and Conditions. By CPUC decision, IOUs and implementers are not permitted to modify the Standard Terms and Conditions. There were no changes to the Standard Terms and Conditions. The Standard Terms and Conditions also take precedence over the Corporate Ts&Cs.

The CPUC’s Modifiable Terms and Conditions contain both guidance related to items that should be included in the RFP (e.g. “In its Proposal, Bidder will be required to include a table of KPIs, which will be the primary means by which Company will assess Program performance on an ongoing basis”), the contract (e.g. “Implementer shall comply with and timely cooperate with all CPUC directives, activities, and requests regarding the Program and Project evaluation, measurement, and verification”), the eventual Implementation Plan (e.g. “Implementer agrees to comply, and to require all Implementer Parties to comply, with the Disadvantaged Worker requirements set forth in the Final Implementation Plan”), and relevant definitions not included in the Standard Terms (e.g. “small business enterprise”, “disadvantaged worker”, etc.). They can be modified by agreement between the IOU and implementer.

[REDACTED]

There were limited changes [REDACTED]

[REDACTED]

d. Conformance with CPUC Policies and Objectives

The following table is our compilation of the relevant CPUC policies and objectives applicable to the Cascade SMART program.

Table 5.1: Contract Alignment with CPUC Policies and Objectives		
Item	Covered / Location	Program
Requires Advice Letter filing	Yes.	Budget exceeds \$5 million and 3 years.
Noted no changes to CPUC Standard Contract Terms and Conditions (Ts&Cs)	Schedule A1.	No changes to CPUC Standard Contract Ts&Cs.
Noted the changes to CPUC Modifiable Contract Ts&Cs	[REDACTED]	
Noted the changes to IOU Ts&Cs		

Table 5.1: Contract Alignment with CPUC Policies and Objectives		
Item	Covered / Location	Program
Contract is consistent with M&V Plan with Normalized Metered Energy Consumption (NMEC) guidelines		
Reasonable number of KPIs		
KPIs make sense in terms of what they are measuring, the scale applied to them, and the timeframe on which they are monitored		
Contract includes appropriate Performance Issue Remedies		
Savings and Cost Effectiveness are similar to proposal and appear reasonable		
Compensation structure is clear		
Relevant elements of Implementation Plan (IP) clearly documented in contract		
Innovative aspects of program are retained		
If applicable, IDSM components incorporated and are consistent with Proposal		
If applicable from Proposal, program considerations for HTR customers and those in		

Table 5.1: Contract Alignment with CPUC Policies and Objectives		
Item	Covered / Location	Program
DACs are incorporated and are consistent with Proposal		
Contract clearly addresses Disadvantaged Worker Requirements		
Contractor is Diversified Business Enterprise (DBE) or identifies committed DBE spend.		
Changes proposed by IOU or Contractor were reasonable and fair		

Innovative Program Features

The contract highlights those programs elements considered innovative and emphasizes that these elements shall be retained throughout the program's implementation. The innovative elements include:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

e. Uniformity of Contract Changes

Uniformity of contract changes applies to situations where the IOU is simultaneously negotiating with multiple parties during a solicitation. SDG&E only negotiated with Cascade Energy and no other bidders. Therefore, this was not applicable.

5.2 Contract Execution

SDG&E and Cascade Energy executed the contract on August 31, 2022, contingent upon CPUC approval of the Company's Advice Letter (AL). Actual program implementation (Notice to Proceed) begins on the day the CPUC issues its AL Disposition.

5.3 PRG and IE Feedback to Contracting

During the contracting process, SDG&E and the IE maintained a comment tracker to memorialize points of discussion between the IE, the PRG and the utility as related to the contract negotiations. Although Independent Evaluators have a limited formal role in contracting [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].¹⁷

The tracker included approximately 31 comments, all of which were considered resolved. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SDG&E and Cascade agreed to modify the contract to clarify these items.

6. Assessment of Final Contract

6.1 Bid Selection Respond to Portfolio Needs

The selection of Cascade Energy's SMART Industrials program to serve the Company's industrial customers is consistent with SDG&E's portfolio needs as identified in its Business Plan, its Solicitation Plan, and its Biennial Budget Advice Letter (BBAL) filings. Prior to this solicitation, SDG&E served its industrial customers through the Company's Comprehensive Audit Program (CAP), its Calculated Incentives program (Energy Efficiency Business Incentives or EEBI), its Deemed Incentives program (Energy Efficiency Business Rebates or EEBR), and its Strategic Energy Management program (SEM). The SEM program was the only one of the four dedicated to

¹⁷ The PRG has an opportunity to review the final negotiated contract and provide suggested changes. [REDACTED]

industrial customers and will be entirely replaced by the new program. The industrial portions of the other programs will also close.

The SMART Industrials program is a comprehensive offering that is intended to serve all companies that SDG&E categorizes as industrial per their North American Industrial Classification System (NAICS) code. Cascade will be expected to coordinate with other programs that may serve the Industrial Sector, including any statewide (SW) programs that use a midstream or upstream delivery channel such as the SW HVAC, SW Lighting, SW Water Heating, and SW Water/Wastewater Pumping programs. The program's contract prohibits customers from receiving rebates and incentives from more than one program for the same installed units.

6.2 Bid Selection Provides Best Overall Value to Ratepayers

a. Introduction

[REDACTED]

The analysis that follows does not attempt to directly compare the selected program with other proposals. In our view, if the solicitation process was conducted fairly and consistent with the scorecard and other selection criteria, the selected program(s) represents the best from the pool of bids. By extension, the selected program would also provide the best overall value to ratepayers.

In the interest of providing context for the selected bids, [REDACTED]

[REDACTED]

[REDACTED] We also discuss the program's compensation structure, how the program aligns with or diverges from reasonable EE planning principles, and whether the program is consistent with CPUC policies and objectives.

b. Brief Program Description

Cascade Energy, Inc.'s SMART (Savings, Measurement, Assistance, Rebates, Training) Industrials Program is a Resource Acquisition program that serves non-residential customers defined as Industrial, including Industrial customers served by the Port of San Diego. It will use Custom, Deemed, Site-Level NMEC (both SEM and non-SEM) and financing intervention strategies and

include the following primary technology groupings:

- HVAC
- machine drives
- lighting
- process heating
- process refrigeration
- compressed air
- boilers and steam systems
- fuel substitution
- controls

Building on the SEM base in its proposal, the new program will offer Custom solutions to large and small customers, with strategies that seek to engage and activate smaller customers [REDACTED] engineering support, and financing options. [REDACTED]

[REDACTED] However, the Cascade program includes a clear track for smaller customers, much of which will rely on self-service tools and SDG&E marketing support.

c. Quantitative Program Information

The following table shows a summary of the quantitative information extracted from the SMART Industrials program contract. To provide context related to whether the program provides value to ratepayers compared to existing programs serving the Industrial Sector, [REDACTED]

[REDACTED] showed the best results and thus was used for the comparison. To compare with single-year data for Industrial-related program results, the contract data is divided by 4 to annualize the information. The program, technically, includes a fifth year that is for startup. For simplicity and comparison purposes, we assumed a 4-year program.

Table 5.2: Cascade SMART Industrials Program Quantitative Information			
Item	SMART Industrials (Annualized)	SDG&E Industrial-Related Programs (2021) ¹⁸	SMART Industrials (4-Year Program)
Summary Data			
Budget (Contract Average Annual)	\$3,957,939	\$1,608,534	\$15,831,757
Limited EE-DR Integration Budget ¹⁹	\$44,700	-	\$178,800

¹⁸ [REDACTED]

¹⁹ This is the EE portion of the EE-DR Integration budget. Total EE-DR Integration budget is \$298,000 with \$119,200 funded from SDG&E's demand response budget.

Table 5.2: Cascade SMART Industrials Program Quantitative Information			
Item	SMART Industrials (Annualized)	SDG&E Industrial-Related Programs (2021) ¹⁸	SMART Industrials (4-Year Program)
Electric Savings (Net first-year kWh)	9,703,495	3,456,646	38,813,978
Electric Demand Reductions (kW)	975	458	3,899
Gas Savings (Average Annual - Net first-year therms)	178,513	87,064	714,051
Total System Benefit (TSB)	\$5,400,569	\$2,938,752 ²⁰	\$21,602,274
Metrics			
Total Resource Cost (TRC) Test	1.28	1.24	1.28
Program Administrator Cost (PAC) Test	1.38	1.87	1.38
Simple Acquisition Cost (\$/kWh) ²¹			
Simple Acquisition Cost (\$/therm)			

[REDACTED]

d. Measurement and Verification (M&V)

The program's contract includes as Attachment 13 to the Scope of Work a Measurement and Verification Plan. The M&V Plan includes details related to protocols Cascade must follow in estimating and claiming savings associated with Deemed, Custom and NMEC platforms. [REDACTED]

[REDACTED]

As shown in Figure 5.1, the program will derive most of its savings from Custom and NMEC savings platforms.

²⁰ [REDACTED]

²¹ Program budget divided by total (first year) program savings.

[REDACTED]

According to the CPUC's *Rulebook for Programs and Projects Based on Normalized Metered Energy Consumption v2.0* (NMEC Rulebook), NMEC is not allowed for industrial operations and maintenance (O&M) or behavior, retrocommissioning, and operations (BROs)-type projects except as a component of Commission defined Strategic Energy Management Programs.²² However, (non-SEM) site-level NMEC is permissible for projects in industrial buildings to the extent they are similar to projects that would be carried out in a commercial building. [REDACTED]

[REDACTED] The program is using the assumptions afforded SEM programs, namely a 1.0 net-to-gross ratio and a 5-year effective useful life (EUL) for SEM measures.

e. Compensation

[REDACTED]

²² NMEC Rulebook, p. 8.

[REDACTED]

Table 5.3: Cascade SMART Industrials Compensation Structure		
Compensation Category	Specific	SMART Industrials Contract
[REDACTED]		

Of note, per Cascade’s request, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

f. Supports portfolio and applicable sector metrics achievements

The Program’s Key Performance Indicators (KPIs) support SDG&E’s portfolio and sector metrics. Per CPUC Decision 18-05-041, all utilities are required to track and report portfolio and sector-level metrics to help ensure programs are meeting Business Plan objectives. Decision 18-10-008 required that third-party contracts include KPIs that assess third-party program performance on an ongoing basis. Since, by the end of 2022, third party programs budgets will be, at a minimum, 60 percent of total IOU budgets, it is important that third-party contracts and associated KPIs support utility Business Plan metrics.

Table 5.4 shows the contract’s KPIs. The table includes an indicator to show whether the metric is also either a portfolio-level or Industrial Sector metric per SDG&E’s 2022 Biennial Budget Advice Letter filing (specifically Tab 17 – BP Metrics of the Budget Filing Appendix v3 file).

We believe the contract’s KPIs align with program priorities in terms of ensuring accurate, reliable and consistent delivery of savings, customer satisfaction and other criteria such as [REDACTED]
[REDACTED] The contract’s Attachment 7 provides the weightings associated with each metric and detail regarding how and when KPIs are

measured and remedies for failure to achieve.

Table 5.4: SMART Industrials Contract KPIs			
KPI Category	Program KPI	Sector Metric	Portfolio Metric
		X	X
		X	X
		X	X
		X	X

²³ As indicated in contract [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Table 5.4: SMART Industrials Contract KPIs			
KPI Category	Program KPI	Sector Metric	Portfolio Metric
			X

g. Program Deliverables

In addition to energy savings goals, the program includes a variety of deliverables designed to serve the needs of SDG&E's diverse Industrial Sector. The paragraphs below highlight some of the notable deliverables.

Small-Medium Businesses (SMBs)

The program includes features targeted at SMB customers, in particular an offering that is tailored to needs of smaller customers. The contract uses the to distinguish from SEM designed for larger customers; however, Cascade fully intends for these projects to follow the California SEM Design and M&V Guides. It is because it is envisioned to be a lower touch, higher-volume version of SEM. The program will also offer SMBs energy and water efficiency education and training via self-serve e-Learning videos plus support with deemed and custom projects.

Limited EE-DR Integration (IDSM)

The program retains a Limited EE-DR Integration component and includes an attachment (Attachment 11) that specifies funding amounts and deliverables associated with Limited EE-DR Integration.

The total EE-DR Integration budget is approx. \$298,000 with \$119,200 coming from the DR budget and the remaining from the EE budget.

Support Services

[REDACTED]

Prescriptive Workforce Standards, Disadvantaged Worker Applicability

[REDACTED]

D. 18-10-008's Modifiable Terms specify that Bidder proposals "shall include a section describing the manner by which their proposed program will provide Disadvantaged Workers with improved access to career opportunities in the energy efficiency industry for programs that directly involve the installation, modification, repair, or maintenance of EE equipment." [REDACTED]

[REDACTED]

Hard-to-Reach Customers (HTR) / Disadvantaged Communities (DAC)

[REDACTED]

Port Tenants

[REDACTED]

²⁴ Support Services refers to specific ways that the utility supports third-party program implementation, to include Account Management support for projects. CPUC Decision 18-05-041, CoL 42-43 and Ops 16-17 require that utilities offer implementers use of account representatives and track the number and proportion of implementers that forego the option.

²⁵ Decision language refers to "all projects involving installation, modification, or maintenance of heating, ventilation, and air conditioning (HVAC) measures in non-residential buildings ..." (OP 1).

7. Overall Assessment of Solicitation

Overall, we believe that SDG&E's Local Industrial and Industrial – Port Tenants solicitations were fair, transparent, unbiased, and consistent with CPUC policy. SDG&E's Contract Management Office conscientiously sought to integrate process improvements throughout the solicitation process and was very open to IE and PRG suggestions. The solicitations resulted in the selection of an implementer that is capable of serving SDG&E's diverse industrial customer base, including industrial customers within the Port of San Diego. The program will leverage Strategic Energy Management principles to serve both large and small customers, but will also include Custom offerings that address the unique nature of industrial customer businesses.

7.1 Effective Solicitation Practices

SDG&E utilized a number of “Effective Solicitation Practices”, a term that the California EE IEs use to describe solicitation practices that helped make the process more efficient, fair, and transparent. In some cases, these observed practices can benefit all California IOU third-party solicitations. In most cases though, listed practices were effective in context, given the specific circumstances associated with the solicitation. The list of the practices the IE identified during this solicitation follows.

Table 7.1: SDG&E Effective Solicitation Practices		
Stage	Practice	Comment
All	Continuous Improvement - SDG&E is dedicated to continuous improvement and willingness to engage Independent Evaluators in this process.	Continually improves solicitation process
	Collaboration – SDG&E's CMO, program staffs and supply management actively engage the IEs in solicitation development and provide quick/thorough responses to issues raised.	Helps ensure that solicitation process produces best outcomes.
RFA	Weekly Check-Ins – CMO holds weekly check-ins with scoring Team during Scoring process.	Improves scoring quality/calibration process.
	Simplified RFA – RFA limits the information requested of bidders to only most salient.	Reduces burdens on Bidders and Scoring Team.
	Includes IE in presentation to management – IE is involved presentations regarding Bidders selected to advance to next stage.	Improves solicitation process transparency.
RFP	M&V Team develops a detailed spreadsheet for each Bidder – Included is information about measures, sources of savings, proposed goals and budgets, and any issues of concern.	Facilitates robust discussion of technical aspects of Bidder proposals.
Contracting	CMO develops a Contract Development Kick-Off Strategy Document – Document outlines: negotiation priorities, the approach the team will take, stakeholders, contract package	Sets internal (to include IE) expectations, establishes process, and sets strategy

Table 7.1: SDG&E Effective Solicitation Practices		
Stage	Practice	Comment
	elements, and the anticipated timeline.	for contract negotiations.
	CMO-IE keep Cumulative Tracker – Cumulative tracker (RFA, RFP, contracting) captures all IE/PRG input to date and is basis for weekly CMO-IE reviews to discuss and aim to close contract-related items.	Puts IE and CMO on same page with respect to contracting issues of concern.

8. Conclusion

SDG&E's Local Industrial and Industrial – Port Tenants solicitations were well managed and resulted in a strong program that should serve the Company's industrial customers well. Although the sector is not a large energy consumer when compared to other California IOUs' industrial sectors, according to the Company's Business Plan, it plays an important role in the regional economy. The sector will also need to adapt as the State continues to decarbonize and shift away from fossil fuels. A program that leverages SEM and other custom approaches to improving energy efficiency and reducing demand at industrial facilities can be at the forefront of these changes, helping customers adapt and continue to contribute to the regional San Diego economy.

San Diego Gas & Electric Advice Letter 4079-E

ATTACHMENT B Program-Level Measurement & Verification (M&V)

Cascade Energy M&V Plan

Deemed Platform

We will make all applicable measures from the following Statewide Measure Packages available to SMART Industrials participants, as well as any other relevant measures that we identify during the negotiation and start-up phases. Our program design includes developing new Statewide Measure Packages and deemed measures. We will incorporate new measures if and when they become available but deemed savings claims will always be based on CPUC-approved Statewide Measure Packages. The following are the most commonly expected measures, which we also included in the CET analysis:

Statewide Measure Package Reference	Measure Description
SWCA001-02	VFD on Air Compressors
SWHC009-02	Unoccupied Fan Controls
SWHC024-02	Cogged V-Belt for HVAC Fans
SWWH006-06	Tankless Water Heaters
SWWH017-02	Pipe Insulation
SWWH018-02	Tank Insulation
SWPR003-01	Steam Traps
SWCR017-02	HE Ultra Low Temperature Freezers
SWWH008-01	Process Boilers: Steam and Hot Water
SWPR007-01	Boiler Economizers: Feedwater and Condensing
SWWH007-04	Commercial Storage Water Heaters

To verify eligibility, our staff will review each application for completeness, accuracy, and alignment with program specifications and measure requirements listed in applicable Statewide Measure Packages. Applicants submit a simple, intuitive, single-page rebate form, and our staff completes sections of the application upon customer request. The customer must also submit project invoices, including documentation that the invoice was paid (paid stamp, accounting software snip, etc.). This approach streamlines application processing and reduces the number of rejections and rework.

Depending on application volume, we will verify either all deemed projects or a statistically rigorous sample. Sampling would follow CPUC California Energy Efficiency Evaluation Protocols and verify at confidence levels and precision, respectively, of 90/10 per measure type

for different customers and 90/20 for the same measure type with multiple installations for same customer. These sampling amounts are shown in the table below (values were calculated with Equation 11 and 12 from the Uncertainty Assessment for IPMVP EVO 10100-1:2019). Verifications will validate equipment and installation, ensure it is functioning as intended, document installations with photos, and confirm that equipment specifications match the incentive application. Verification will be conducted remotely when feasible. In order to maintain an adequate sampling rate, the majority of initial projects will be sampled and then fewer future projects will be sampled moving forward, always maintaining the minimum sample size defined below. While we do not intend to measure savings from deemed projects, we will track data such as measure cost to inform future Statewide Measure Package updates.

Custom Platform

The Cascade Team will embed M&V at the earliest stages of customer engagement by focusing on and documenting influence starting in the customer acquisition phase. SMART Industrials' approach is designed to overcome real customer barriers to project implementation, laying a strong basis for attributable savings. Influence will be documented in the project application, which will help justify higher NTG values, if applicable. Influence documentation will include:

1. Identification of any pre-planned projects and/or existing barriers to implementation, which will consider both leads from other programs as well as customers' internal efforts.
2. Documentation of any previously identified projects, along with reasons implementation has not yet occurred. As we work through project justification, we document the influence SMART Industrials personnel brought to eliminate these project barriers.
3. Consideration of factors including Title 24 and documented ISPs. We always ask customers the age of existing equipment for all potential projects and document items like equipment nameplates with dates of manufacture. Our engineers are knowledgeable about EULs for equipment we commonly encounter and can determine when equipment has reached the end of its useful life. If it has not, or if equipment is to-code or to-ISP, the project is an accelerated replacement and will have dual baselines. If equipment has reached the end of its useful life, it will be treated as normal replacement and code, or ISP will be used as the baseline. All this information will be compiled and included as part of the project documentation submittal to SDG&E.

When necessary, Cascade will draw upon its years of industrial sector knowledge to create and document appropriate ISPs in line with SDG&E guidance.

Custom M&V verifies the baseline equipment energy usage and that the intended changes were made and measures/documents the resulting energy and demand savings. For projects requiring custom calculations, the measurement and verification process for the equipment to be installed will be detailed in the project-level M&V Plan submitted as part of the Project Feasibility Study (PFS). Each project-level M&V plan will be developed based on the available data, feasible data logging, anticipated engineering analysis approach, load variations, and seasonal variations as appropriate. Project-level M&V plans will adhere to IPMVP, CPUC, and SDG&E guidelines. The CPUC guidelines are constantly being revised and the SMART Industrial program will incorporate any changes into the program as soon as they go into effect. The SMART Industrials team will have representatives participating in applicable CPUC Custom Stakeholder working groups to continue to improve the platform and to stay up to date on program changes. The SMART Industrials team will regularly meet with the SDG&E Engineering Team where projects and M&V plans will be informally discussed. The following lists broadly outline the M&V process for a typical project. We will develop detailed program-level M&V protocols during the program start-up phase.

Cascade may utilize CPUC approved custom calculation tools, with approval from SDG&E. Cascade may also develop new tools, which would go through the typical approval process by SDG&E and the CPUC.

Pre-Install

- Determine appropriate baseline.
- Determine IPMVP savings methodology (A, B, C, or D).
- Determine pre-install energy usage by measuring for an appropriate duration or estimating based on nameplate values. Also measure key energy drivers (temperature, production, etc.) as necessary based on savings methodology and measurement scope. Collect photos/screenshots of baseline equipment and relevant operational information.
 - Pre-install energy usage would be measured with standard utility approved methods, such as gathering existing monitored data or installing appropriate transducers and data loggers.
- Document and account for any non-routine events (NREs) in pre-install measurement period.
- Account for non-IOU supplied energy sources in accordance with the CPUC's *Energy Efficiency Savings Eligibility at Sites with non-IOU Supplied Energy Sources – Guidance*

Attachment B Measurement & Verification

Document. For custom projects at industrial sites, an hourly kWh and/or Therm calculation approach will be used to ensure that only energy savings during the hours that there is grid usage will be claimed and the savings will be no greater than the total grid usage for that hour. For deemed measures, this analysis is done on an annual basis (rather than hourly). NMEC projects will be assessed at the interval the energy model is using (often daily or monthly).

- Annualize pre-install measured data to an annual operating profile and calculate consumption.
- For a normal-replacement baseline, use engineering calculations to apply operating profile to appropriate baseline equipment and operations to obtain baseline energy profile.
- Calculate baseline and upgrade energy based on the pre-install operating profile applied to baseline(s) and an engineering estimate of upgraded equipment performance.
- Calculate energy savings as: *Energy Savings = Baseline Energy – Upgrade Energy*.
- Document all project influence sources and screen out free riders. Document contact information for site decision makers and notify them that ex-post reviewers will be contacting them after project installation.
- Document any expected future projects/installations that could impact ex-ante savings assumptions.

Post-Install

- Verify installation of equipment. Collect photos of installed equipment.
- Determine post-install energy use by following the M&V plan listed in the Project Feasibility Study (PFS).
 - Post-install energy would be measured with the same methods used in the pre-install case, unless the upgrade included additional metering that could provide the same data.
- Document and account for any NREs in post-install measurement period.
- Validate similarity of pre- and post-install conditions and profile. Conduct additional data collection if pre-install and post-install measurements show substantially different operation.
- Calculate baseline and upgrade energy based on the post-install operating profile applied to baseline and upgrade equipment.
- Calculate energy savings as: *Energy Savings = Baseline Energy – Upgrade Energy*.

NMEC Platform

Cascade has substantial experience designing and implementing NMEC projects in the context of SEM and in non-SEM programs (such as PG&E ISOP). For SEM NMEC, Cascade's M&V process follows the California Industrial SEM M&V Guide.

For non-SEM NMEC, Cascade follows a rigorous NMEC M&V approach that aligns with evolving statewide guidance, including CPUC's NMEC Rulebook latest version. Our NMEC M&V plan will address criteria specified by the Rulebook as follows:

1. Appropriateness of NMEC

NMEC eligibility per the 2020 NMEC Rulebook includes "Site-level NMEC projects in industrial buildings are permissible, to the extent they are similar to one that would be carried out in a commercial building." Accordingly, SMART Industrials NMEC projects may be:

- a. Industrial facilities that are more commercial/building like in terms of their operations and patterns of energy use, such as warehouses and office spaces associated with industrial facilities.
- b. Loads and processes in facilities that are substantially similar to those found in commercial buildings, such as lighting, space heating/cooling and water heating. For these projects, we will use submeter data as necessary to isolate eligible usage or normalize for production loads such that only savings from building like measures are claimed.

We hope that these limitations will evolve in the future, further expanding opportunities for industrial facilities to achieve NMEC savings. We will modify our program approach if that happens; until then, we intend to work with SDG&E reviewers and statewide precedents to establish commonly understood eligibility space within the above building-type loads.

2. NMEC Approach (Site-Level or Population-Level)

SMART Industrials will use a **Site-Level** NMEC approach.

3. Eligible Customer Population

As described above, eligibility will be governed by the latest version of the NMEC Rulebook. Commercial and commercial-like loads within the industrial-sector umbrella will be eligible. Any changes to the NMEC Rulebook will trigger a review of all in-process NMEC projects to

confirm ongoing eligibility prior to the effective date of a new Rulebook. Where eligibility may still be unclear, we will work with SDG&E to determine whether seeking an Early Opinion from the CPUC on customer eligibility is appropriate.

4. Strategies to Target High Savings

Pre-screening will assess the project's ability to exceed 10% savings. SMART Industrials' training and coaching strategies will help customers identify and implement comprehensive projects. Our engineers and technicians typically identify and work with customers to implement 10-20 distinct measures per project. Savings are driven by implementing projects early in the NMEC engagement, once baseline data has been collected, but often prior to full project approval.

5. Analytical Methods and Tools

SMART Industrials will manage development and documentation of regression model and savings quantification within Excel. Spreadsheets will use industry standards for multivariate linear regression analyses, such as Microsoft Excel's 'linest' function. Completed models will be loaded into Energy Sensei to streamline data management, performance monitoring, and progress visualization. In compliance with SDG&E open-source expectations, Energy Sensei licenses will be provided to any reviewer needing access.

Baseline and performance period models will be developed to account for the energy usage of each facility. Model selection is not always simply based on the best statistics; a model is selected based on a combination of model statistics, ease of data acquisition, physical conditions at the site, and what makes intuitive sense to the facility operators.

Energy savings within the project boundary will be calculated using a model based on performance period data under normalized conditions. Performance period models will use the same modeling approach as was used for the baseline model development. Energy savings within the project boundary will be calculated by applying the following equation:

Energy Savings = Normalized Baseline Period Energy Use – Normalized Performance Period Energy Use

Where:

- Normalized Baseline Period Energy Use = energy consumption calculated using the Baseline Model and normalized data for each independent variable. Normalized weather data will use a Typical Meteorological Year dataset, which aligns with the applicable CPUC-approved Avoided Cost Calculator (CALEE 2018 TMY dataset for the nearest weather station).
- Normalized Performance Period Energy Use = energy consumption calculated for the performance period using the performance period model, adjusted for non-routine events as necessary.

Models will be developed using an Excel-based workbook template, which streamlines the process of testing candidate variables for statistical significance and comparing and documenting performance of hypothesis models. Once a model is selected, it will be loaded into Cascade's Energy Sensei software to facilitate customer communication, sharing, and ongoing tracking.

6. References for Analytical Approach

Cascade's analytical approach follows CPUC, LBNL, ASHRAE, and IPMVP guidance.

7. Implementation Examples for Analytical Approach

Cascade's analytical approach has been refined through usage in SEM programs including those of SDG&E, SoCalGas, and SCE, plus NMEC projects within PG&E ISOP.

8. Key Data for Savings Calculations

Most models will use daily data for all dependent and independent variables. Data will vary for each project. Daily or weekly SDG&E usage data will typically serve as the dependent variable, though in some cases, submeter data may be used instead. Independent variables may include, but will not be limited to:

- a. Ambient temperature: Energy Sensei downloads site-specific dry-bulb and wet-bulb data through a third-party service that aggregates data from multiple NOAA sources.
- b. Facility schedules: SMART Industrials' coaches will confirm customer operating schedules with respect to weekends, holidays, and/or seasonal operations.

- c. Occupancy or production: In some cases, occupancy or production data may be obtained from a customer system of record for use in an NMEC model. Examples could be number of workers on-site, daily product shipments, or tons of raw material/equivalent inputs.

9. Data Collection Plan

Cascade will continue its Privacy Greenlight certification and obtain usage data via Green Button when available, and from Account Executives using a Letter of Authorization or participants when data is not available via Green Button. All data will be uploaded and managed in Energy Sensei. Project-specific Data Collection Plans will be provided in all NMEC Project Applications. Data collection methods and QA/QC checks will be customized based on the predicted uncertainty. For example, projects with predictable buildings using reliable utility meter data may require savings progress to be checked every three to six months. Projects with customer-owned meters, potential non-routine events, and uncertain upfront savings estimates may need to check savings progress each month.

10. EUL Determination

A weighted average EUL will be calculated by adding together the product of each measure's EUL multiplied by its expected savings and dividing by the total expected savings. The forecast weighted average for all recommended measures will be included in the Project Application based on forecast savings, and the updated weighted average EUL for the measures installed and verified will be included in the Final Savings Report. SMART Industrials' budget and savings estimates conservatively assume a three-year EUL for all NMEC savings which would be applicable to operational and retro-commissioning measures.

11. Program Influence Methodology

SMART Industrials will use an NTG ratio of 0.95 for all NMEC projects per CPUC Resolution E-4952. Only projects which have been actively influenced by SMART Industrials will be eligible for savings claims and incentives; facilities with significant changes in operations or normal maintenance of existing equipment during the baseline or reporting periods may not be eligible, or calculation methodologies may have to be developed to isolate and back out corresponding apparent savings. Project influence will be clearly documented for all projects. The following factors may be relevant to the influence demonstration: project developer's engagement and communications with the customer, the customer's decision-making criteria, the project timeline, how the project was initiated, how the measure was identified, the alternative viable options that also meet the customer's needs, and the energy and non-energy benefits. Documentation, with time stamps if applicable, may include marketing materials, training

workshop attendance, self-serve video attendance, audits or site visit results, savings or financial calculations shown to customers, email correspondence, meeting minutes, customer internal policies or investment criteria, and/or relevant internal customer communications. Contact information for the customer's decision makers will be documented and provided so that ex-post reviewers can contact them as needed.

12. Statistical Precision (Risk and Savings Uncertainty)

Consistent with California regulatory precedent, all SMART Industrials NMEC claims will meet a Fractional Savings Uncertainty (FSU) standard of within **50% uncertainty at 90% confidence**. This is consistent with all other NMEC programs Cascade is implementing in California and a higher standard than ASHRAE guidance specifies (50% uncertainty at 68% confidence).

Cascade's M&V protocols on projects with meter-based savings have been employed for over a decade in various programs throughout the country. Cascade also allows for some savings risk when we develop annual program forecasts from NMEC projects. In addition, we constantly monitor savings progress on NMEC projects through Energy Sensei dashboards, giving us enough advance notice to intervene and analyze in case savings trends are not in line with expectations. Above all, in the event that projects do not yield expected savings, Cascade will focus on meeting the planned program goal by identifying more projects, both NMEC and non-NMEC (deemed, custom calculated BRO, and capital projects) depending on the level of shortfall and the time period in which the shortfall needs to be addressed.

13. Identification of Non-Routine Events (NREs)

For SEM and NMEC projects, Cascade will follow guidance on adjustment for NREs in the latest versions of the *California Industrial SEM M&V Guide* and *Rulebook for Programs and Projects Based on Normalized Metered Energy Consumption*, respectively. Per such guides, the method for making the non-routine adjustment and the rationale for that method must be documented in the site-level M&V Report.

Possible NREs will be identified through continuous monitoring of performance data as well as regular project check-ins with the customer. All NREs will be documented in the project M&V Report. Standard thresholds ($\pm 3\sigma$ of residuals) will apply for identification of significant NREs and for possible updates to regression models, ensuring that directionality is not biased specifically toward positive or negative adjustments.

Baseline data shall also be analyzed to determine the presence of unusual energy use patterns that may be caused by NREs. All suspected NREs should be confirmed with the participant. Confirmed baseline period NREs must be documented in the pre-screening report, with a clear description of how their impacts will be addressed.

During the performance period, the most common method to identify NREs is through visual inspection of the metered energy use data. Time-series charts of energy use data may be used to identify shifts in energy use patterns that may be caused by NREs. If energy use data begins trending significantly outside expected values as determined by the model, an NRE may be present. SMART Industrials staff's professional judgement will be used to identify NREs, but a situation in which an independent variable departs its baseline observed range by more than $\pm 10\%$ will serve to flag a potential NRE.

14. Rationale for Savings <10%

SMART Industrials is not targeting projects with savings less than 10%, but we do not believe a hard eligibility line is appropriate. Use of interval data and advanced modeling methods means that even if fewer measures are installed or if they are not functioning as intended, savings at or below 5% may still be determined with reasonable accuracy and confidence. In the event of projects with less than 10% savings, we will use the FSU methodology listed above to ensure savings claims are statistically meaningful. Site-specific methodologies will be described in project-level M&V plans submitted with Project Applications.

15. Monitoring During Reporting Period

Data monitoring will include the collection of data for each dependent and independent variable used in the baseline model. SDG&E usage data will be imported directly into Energy Sensei if possible. Other data will be obtained from customers and reviewed regularly by Cascade staff to identify quality issues or potential non-routine events.

16. M&V Roles

All M&V roles, including data management, model development, and performance analysis, will be completed by Cascade and Burch Energy staff. Cascade already has a deep bench of M&V expertise from our longtime leadership in SEM program implementation.

17. Incentive Methodology and Compensation

SMART Industrials NMEC financial incentives will be calculated. Incentives will be based on final energy savings as determined during the performance period and verified by the Savings Report. Accordingly, customer incentives will be paid in a single payment following M&V completion. Customer incentives will be calculated as follows, and capped at 100% of full measure cost:

$$\text{Customer NMEC project incentive} = \text{Net kWh Savings} * (\$/\text{kWh}) + \text{Net Therm Savings} * (\$/\text{Therm})$$

18. Timing of Performance Period, Savings Claims, and Incentive Payments

Consistent with the *Rulebook for Programs and Projects Based on Normalized Metered Energy Consumption*, each NMEC project will require 12 months of post-intervention performance monitoring. An initial savings claim will be made after a minimum of 90 days of performance monitoring if statistical criteria can be met and a customer has substantially completed NMEC projects. If an initial savings claim is made, customers are paid up to 50% of the calculated incentive amount, with the final incentive payment made upon completion of the 12-month reporting period. Some incentive payments will have already capped on measure costs at the initial savings claim; in such cases no additional incentive would be paid after the final savings adjustment. Final project savings adjustments (positive or negative) are claimed after the 12-month reporting period.

19. Quality Assurance

The following QA and QC steps will be taken to ensure savings estimates are dependable and replicable:

- a. Customer data would be verified through typical engineering data analysis methods. This includes looking for abnormalities, assessing correlation to energy usage based on understanding of the energy driver, and looking for missing or inaccurate data. Any issues would be discussed with the site staff and resolution would be determined based on the specific issue. Issues and resolutions will be documented in the Data Collection Plan.
- b. Each hypothesis model will be reviewed for technical accuracy by a qualified in-house engineer. The reviewer and model developer will collaborate until the final model is deemed acceptable.
- c. The SMART Industrials team will complete an in-house monthly review of data with sites to ensure energy usage is as expected
- d. Measure verifications based on site visit documentation
- e. Periodic tracking of energy savings progress (visually available with Energy Sensei)

- f. Quality checks will be used to assess data integrity at multiple stages. These will include checks on data gaps, repeated data, and common logic. Information collection and documentation with reports will be checked to ensure that appropriate project data is being entered, used, and tracked. Cascade will typically ensure QC is done by a team member that was not involved in the project to ensure fresh eyes are assessing the information and procedures utilized.

20. Software Tools

Models will be developed using an Excel-based workbook template, which streamlines the process of testing candidate variables for statistical significance and comparing and documenting performance of hypothesis models. Once a model is selected, it will be loaded into Cascade Energy's Energy Sensei software platform, which streamlines the process of data management and performance tracking, while providing other customer-facing services. All hypothesis model variants, input and output data, resulting model coefficients, and model metrics will be documented and available for review, and reviewers will be provided access to Energy Sensei if desired.

21. To-Code Savings

All NMEC measures, including to-code projects, will use an existing conditions baseline. Savings estimates will not separately quantify or differentiate incentives for to-code and above-code portions of savings. SMART Industrials will focus on helping customers improve energy performance from a unique starting point. While most SMART Industrials measures will fall outside of clear code applicability, in some cases "To Standard Practice" measures may be identified and included in projects. Sometimes straightforward upgrades go uncaptured indefinitely at some industrial sites due to barriers, such as a customer's lack of energy efficiency knowledge and the cost of implementing energy-saving projects. If to-code or to-ISP measures are identified and implemented, the project application will assess the operability (or probability of repair) of existing equipment and document program influence.

San Diego Gas & Electric Advice Letter 4079-E

ATTACHMENT C
SEM Elements To Be Included In The Program
Implementation Plan

Cycle 1

Logic Model and Metrics:

- A detailed program logic model with corresponding SEM program performance metrics.

Detailed 2-Year SEM Program Description:

- A calendar of SEM activities and milestones that will be pursued throughout the 2-year participation period for Cycle 1 broken out into monthly segments.
- List of roles and responsibilities for the program administrator, program implementer, and participant.
- A detailed written description of SEM activities and milestones to be pursued. The activities and milestones should correspond with the activities and milestones identified in the program calendar. See below for additional details.
- A clear description of the M&V activities that will be followed as described in the most recent version of the SEM M&V Guidebook, including all relevant references to the SEM M&V Guide. See below for additional details.
- A detailed written description of SEM reports to be submitted based on both the SEM Cycle 1 Industrial Guidebook and SEM M&V Guide. See below for additional details.

The detailed written description of SEM activities and milestones shall include descriptions of the following:

Site Specific Activities:

- Kickoff Meeting Description
- Plan to create an Energy Map for each customer
- Plan to initiate Initial Treasure Hunt
- Plan to support participants develop and implement effort to engage employees
- Plan to review Year 1 Energy Management System
- Plan to develop the SEM completion report for each site
- Plan to review initial Energy Map and develop 2nd one
- Plan to initiate Treasure Hunt, Year 2
- Plan to help participants develop and use Energy Management Information System Plan
- Plan to develop Energy Management Assessment, Year 2
- Plan to develop Year 2 Completion Report

M&V Activities:

- Energy Data Collection Plan and Baseline Data Collection
- Plan to Develop and Review Hypothesis Model
- Plan to have site specific Treasure Hunts
- Plan to Collect and Review Mid-Year Energy Data and Opportunity Register
- Plan to Finalize Hypothesis Model Application
- Plan to Collect Final Year 1 Data and Opportunity Register

- Plan to develop M&V Report and Technical Review
- Plan to Review and Update Year 2 Energy Consumption Model
- Plan to Collect Year 2 Data and Opportunity Register
- Plan to develop Year 2 M&V Report and Technical Review

Table of Milestones:

Including incentives to be paid (ex one time payment, cents/KWh) within each monthly period. Table will describe milestone requirements, due dates and incentive amounts to be paid.

- Provide program with one year of approved historical energy data and relevant variable data.
- Updating Energy Data and Opportunity Register
- Incentive Payment for Year 1 Savings
- Submission of Final Data and Opportunity Register for Year 1
- Update of Year 2 Data and Opportunity Register
- Submission of Final Year-2 Energy Data and Opportunity Register
- Incentive Payment for Year 2 Savings and Milestones

Educational/Workshop Activities:

- Establishing an SEM Program
- Saving Energy 101
- Tracking Energy Performance 101
- Employee Engagement 101
- Energy Savings Persistence 101
- Saving Energy 201
- Tracking Energy Performance 201
- Celebrating SEM Accomplishments & Planning for the Future

Program Reports:

- Scoping Report
- SEM Participant Tracking Report
- SEM Workshop Summary Report
- M&V Report
- Completion Report
- Treasure Hunt Report
- Opportunity Register

Cycle 2

Logic Model and Metrics:

- A detailed program logic model with corresponding SEM program performance metrics.

Detailed 2-Year SEM Program Description:

The program characteristics below must be included in all SEM Cycle 2 program descriptions/ implementation plans in coordination with, and as a build-on to, associated Cycle 1 program descriptions/implementation plans.

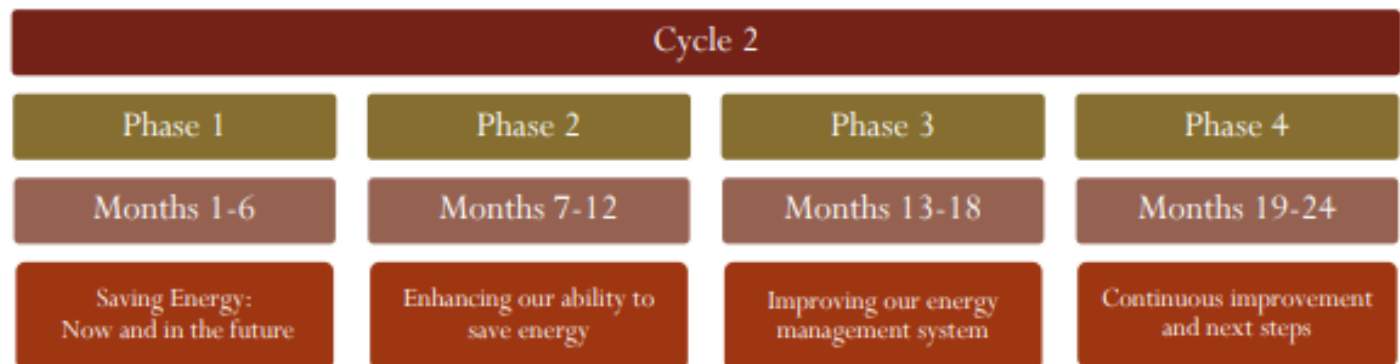


Figure 2- Cycle 2 Phase Overview

Element	Purpose
Learning goals	Concepts the participant should understand so they can take appropriate action.
Site specific activities and support	Activities the program should undertake, and support the program should provide, to encourage participant action.
Participant outcomes	Actions the customer should take or decisions they should make.
Program deliverables	Documents the program should develop.
Participant deliverables	Documents the customer should share with the program.

Table 1- Phase Elements

PHASE 1 Overarching Objective: SAVING ENERGY NOW AND IN THE FUTURE

Phase 1 Learning Goals:

Phase 1 Learning Goals
1. Understand the program structure and concepts for the next two years.
2. Evaluate the differences between potential energy management system objectives and choose the one that best applies to their facility.
3. Analyze Cycle 1 energy performance, implemented opportunities, and existing opportunities to develop Cycle 2 energy performance targets.
4. Develop action plans for implementing opportunities that meet Year 3 energy performance targets.
5. Understand which business practices lead directly to energy improvement.
6. Understand how to develop, document, implement, and manage energy business practices.
7. Understand the connection between EMIS, specific business practices, and IDSM.
8. Understand how IDSM and loading order concepts apply to their facility.
9. Review an EMIS Assessment and make a decision on the development of an EMIS implementation plan.
10. Understand the M&V process and their involvement.

Phase 1 Site Specific Activities and Support:

Phase 1 Site Specific: Activities and Support
1. Participant Kick-off Meeting
2. Energy Management System Analysis
3. EMIS Assessment
4. Action Plan Development Support
5. Business Practice Development Support
6. Operational Control Support

Phase 1 Participant Outcomes:

Phase 1 Participant Outcomes
1. Chosen an energy management system objective.
2. Set energy improvement targets for Year 3 and Year 4.
3. Developed action plans for opportunities that meet Year 3 energy performance targets.
4. Implemented sufficient opportunities to be on track to achieve Year 3 energy performance targets.
5. Developed business practices for Phase 1 tasks.
6. Included operational controls in energy improvement opportunities.
7. Made a decision on EMIS implementation.
8. Decided if need separate EnPIs or Baselines.

Phase 1 Program Deliverables:

Phase 1 Program Deliverables
1. Energy Management System Analysis.
2. Customer Phase 1 Summary.
3. EMIS Assessment.

PHASE 2 Overarching Objective: ENHANCING OUR ABILITY TO SAVE ENERGY

Phase 2 Learning Goals:

Phase 2 Learning Goals
1. Understand how different employees can impact energy performance and which business practices involve those employees
2. Be able to identify potential gaps in the competencies of employees who affect energy performance and define potential actions to fill those competency gaps
3. Understand the impact of design and procurement processes on energy performance and be able to take possible steps to create new processes
4. Be able to review a conceptual EMIS design and understand what is involved in developing a detailed design

Phase 2 Site Specific: Activities and Support:

Phase 2 Site Specific Activities and Support
1. IDSM Analysis
2. Treasure Hunt
3. IOU OPTION: EMIS Implementation Plan
4. IOU OPTION: Facilitated EnMS Assessment
5. Awareness, Competence, and Training Support
6. Business Practice Development Support
7. Operational Controls Support

Phase 2 Participant Outcomes:

Phase 2 Participant Outcomes
1. Identified gaps in the competencies of personnel who affect energy performance.
2. Identified actions to address competency gaps.
3. Developed business practices for Phase 2 tasks.
4. Implemented sufficient opportunities to achieve year 3 energy improvement targets.
5. Included IDSM in energy improvement opportunities.
6. IOU OPTION: Developed an EMIS Implementation Plan.

Phase 2 Program Deliverables:

Phase 2 Participant Deliverables
1. Competency gaps identified.
2. Energy management business processes developed.
3. IOU OPTION: EMIS design decision.

PHASE 3 Overarching Objective: ENHANCING OUR ENERGY MANAGEMENT SYSTEM

Phase 3 Learning Goals:

Phase 3 Learning Goals
1. Understand how the different elements of an EnMS work and what makes for a successful "system"
2. Review Year 3 energy performance, implemented opportunities, and existing opportunities to review and update Year 4 energy performance targets.
3. Develop action plans for existing opportunities that meet Year 4 energy performance targets.
4. IOU Option: Understand how to implement the detailed EMIS Design

Phase 3 Site Specific Activities and Support:

Phase 3 Site Specific Activities and Support
1. IDSM Analysis
2. Treasure Hunt
3. Action Plan Development Support
4. Business Practice Development Support
5. IOU OPTION: EMIS Implementation Support
6. Awareness, Competence, and Training Support
7. Operational Control Support

Phase 3 Participant Outcomes:

Phase 3 Participant Outcomes
1. Set annual energy improvement targets.
2. Developed action plans for opportunities that meet 2 nd year energy improvement targets
3. Implemented sufficient opportunities to be on track to achieve Year 4 energy improvement targets.
4. Developed business practices for Phase 3 tasks.
5. IOU OPTION: Implemented an EMIS.

Phase 3 Program Deliverables:

Phase 3 Program Deliverables
1. Customer Phase 3 Summary.
2. IDSM Analysis.
3. IOU OPTION: EMIS Implementation Summary.

PHASE 4 Overarching Objective: CONTINUOUS IMPROVEMENT AND NEXT STEPS

Phase 4 Learning Goals:

Phase 4 Learning Goals
1. Understand the business practices that sustain and improve an energy management system and why they are important.
2. Understand how to conduct a review of their current Energy Management System.
3. Understand how to monitor and measure energy performance.
4. Understand the SEM program's Cycle 3 and decide if to participate.

Phase 4 Site Specific Activities and Support:

Phase 4 Site Specific Activities and Support
1. IDSM Analysis
2. Treasure Hunt
3. Energy Management System Analysis
4. Business Practice Development Support
5. Awareness, Competence, and Training Support
6. Operational Control Support

Phase 4 Participant Outcomes:

Phase 4 Participant Outcomes
1. Decided whether or not to participate in Cycle 3.
2. Implemented sufficient opportunities to achieve Year 4 energy improvement targets.
3. Developed business practices for Phase 4 tasks.

Phase 4 Program Deliverables:

Phase 4 Program Deliverables
1. Customer Phase 4 Summary.
2. Energy Management System Analysis.
3. IDSM Analysis.