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

Application of PACIFIC GAS AND  
ELECTRIC COMPANY for Approval of  
2013-2014 Statewide Demand-Side  
Management Marketing, Education and  
Outreach Program and Budget.

(U 39 M)

And Related Matters

Application No. 12-08-007  
(Filed August 2, 2012)

Application 12-08-008  
Application 12-08-009  
Application 12-08-010

**COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) ON  
ASSIGNED COMMISSIONER CARLA J. PETERMAN'S AMENDED SCOPING  
MEMO AND RULING**

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## INDEX OF RECOMMENDATIONS

Pacific Gas and Electric Company (PG&E) provides the following summary of its recommendations for the future of Statewide Marketing Education & Outreach (Statewide ME&O) in response to the questions included in the amended scoping memo.

1. The vision for Statewide ME&O in the California Energy Efficiency strategic plan for customers to understand energy use, opportunities to act, and begin to take action to manage their energy use is still an appropriate goal.
2. Statewide marketing should be further collaborated between statewide and local marketing to address customer confusion about programs and messaging.
3. Statewide ME&O metrics have shown limited progress to date and should be reviewed and revised to measure more substantive impacts like customer knowledge, understanding, and likelihood of taking action.
4. The future structure for Statewide ME&O should provide a designated role for Program Administrators in the organizational decision process and authorized responsibility for oversight of implementation.
5. Statewide ME&O should consider the following key success factors in the future organizational structure:
  - a. Leverage the success, experience and strengths of Program Administrators.
  - b. Build upon Statewide ME&O outreach developed during 2014- 2015.
  - c. Follow a pragmatic marketing model with a clear objective, establish explicit and measurable strategies and objectives, an outcome assessment and findings report that is utilized to improve subsequent campaigns.
6. California should follow the structure of Massachusetts as the leading energy efficient state and model the Mass Save structure.
7. A formal Request for Proposal (RFP) run by a lead utility should select an implementer.
8. The budget should be developed based on objectives, tactics, and goals planned for an upcoming year versus authorizing a specific amount upfront and developing a campaign to utilize the budget.
9. Governance of Statewide ME&O should be led by a steering committee that includes representation from Program Administrators and the California Public Utilities Commission (the Commission) and be responsible for: developing an ME&O strategic roadmap, yearly

strategic marketing plans, implementer oversight, contract administration, Evaluation, Measurement & Verification (EM&V), Steering Committee meetings, advisory council meetings, and any ME&O working groups established.

10. An advisory council should be developed to meet with industry stakeholders who provide the steering committee with guidance and feedback related to their expertise areas.

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SCOPING MEMO AND RULING**

Pacific Gas and Electric Company (PG&E) submits its comments in response to Assigned Commissioner Peterman's Amended Scoping Memo and Ruling issued on October 26, 2015 (Oct. 26 Scoping Memo), which will build a record on the benefits of using an open solicitation to select the administrator of the Statewide Marketing, Education and Outreach (Statewide ME&O) program in 2017 and onward.

**I. INTRODUCTION**

PG&E appreciates the opportunity to reflect on the six questions posed in the Amended Scoping Memo. We have provided in our response comments and recommendations to build upon the current campaign and make further improvements that will allow for the most effective and efficient Statewide ME&O campaign in 2017 and beyond.

**II. VISION OF STATEWIDE MARKETING, EDUCATION AND OUTREACH  
(STATEWIDE ME&O)**

*Amended Scoping Memo Question 1*

*Given the evolution of energy efficiency and other demand side policies and programs since 2007, how should the vision of statewide ME&O be defined today? Specifically, should statewide ME&O serve as a lead generator, driving consumers to utility and Regional Energy Networks (REN) programs, or should it drive consumers to directly take actions to reduce or*

*manage energy in other ways? In addition, please provide any other ideas on how statewide ME&O might evolve in the future.*

**A. Statewide ME&O Should be Guided by California’s Energy Efficiency Strategic Plan**

PG&E believes the future of Statewide ME&O should focus on the original vision as explained in the California Energy Efficiency Strategic Plan. The Plan calls for “(h)igh levels of awareness statewide of the value of energy efficiency that leads to strong demand for energy efficiency products, homes, and services.”<sup>1/</sup> PG&E agrees with subsequent Commission direction to broaden the original focus to include: the California Climate Credit, Demand Response, Distributed Energy Generation, and the water-energy nexus.

Statewide ME&O is intended to stimulate customers’ interest and engagement in energy management by capturing their attention and building awareness so they can make educated choices and be receptive to local marketing efforts delivered by Program Administrators (PAs). Particularly given State’s continued focus on greenhouse gas reductions; we believe the above goals continue to be not only viable, but crucial for meeting the State’s longer term energy objectives.

With this in mind, Statewide ME&O should continue pursuing two roles: 1) generating customer awareness of and interest in more efficient energy use (energy management), and 2) serving as a lead-generator to drive customers to PA programs where they may take action to both manage and reduce their energy consumption.

**III. GOALS OF STATEWIDE MARKETING, EDUCATION AND OUTREACH**

*Amended Scoping Memo Question 2*

*In D.07-10-032 and D.12-05-015 the Commission issued specific goals and guidance for the statewide ME&O efforts. Are the current goals and guidance still appropriate to direct statewide ME&O? If not, how should they be revised?*

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1/ “California Energy Efficiency Strategic Plan,” January 2011 Update, Section 10.3, p. 76.

**A. Goals of Statewide Marketing, Education and Outreach Still Appropriate**

PG&E believes that the goals for Statewide ME&O as developed and refined by the Commission remain appropriate. The point is to provide California residents and small business owners with information about energy efficiency concepts, programs, services, rates and benefits so that they: (1) understand their energy use, the opportunities available for them to act, and the benefits of doing so, and (2) take well-informed action to better manage their energy. PG&E agrees with and supports these goals and believes they continue to be appropriate for meeting both the short- and long-term objectives of Statewide ME&O.

PG&E has provided continual support for the campaigns and goals of Statewide ME&O and is motivated to further improve the program. PG&E has identified three opportunities for the Commission's consideration that will further improve the Statewide ME&O efforts 1) reducing customer confusion about programs and messaging, 2) developing improved metrics for the EUC brand, and 3) developing a structure for Statewide ME&O to enable full collaboration and commitment of all stakeholders. We believe that addressing the current weaknesses in the program will allow it to attain its full potential.

**1. Customer Confusion About Programs and Messaging**

As the Amended Scoping Memo points out, customers receive energy management messaging and marketing from numerous parties, including “four investor-owned utilities, two RENs, two Community Choice Aggregators, numerous publicly-owned utilities, and the Statewide ME&O program,” as well as “contractors, solar installers, retailers, and others.”<sup>2/</sup> In addition, product manufacturers, retailers, and contractors have campaigns specifically targeted to prospective consumers and clients.

At present, the IOUs (Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company), RENs (Bay Area Regional Energy Network and Southern California Regional Energy Network), and Statewide ME&O are all in the market promoting programs, tools, and services offered by

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2/ Amended Scoping Memo and Ruling of Assigned Commissioner. 10/26/15. p.7.

Program Administrators (PAs). The result has not resulted in stronger message reinforcement for the Statewide and local efforts. Distinct entities providing similar information to Californians in the same area at the same time results in message fragmentation: competing information and choices about a complicated subject that offer the audience no single explanation or decision to make. Because Statewide ME&O messages are not being developed collaboratively, they do not complement local PA messaging. Individual customers are being confused by the multiple uncoordinated messages.

Statewide ME&O's online tools for contractor identification and home upgrade assessment are in large part duplicative of the web sites and tools the IOUs have developed and offer to help customers along their energy management journeys and encourage program participation. Customers who visit the statewide site are often asked to complete a number of steps or take action prior to being directed to the appropriate PA to enroll in a program. In a number of cases customers are not sent to the PAs at all. This can result in frustration for customers and abandonment of their energy management pursuits.

The net effect of the above is muddled communications, messaging conflict, and confusion about content and sources of information that not only fails to motivate customers, but obstructs the success and growth of the program. The goals of Energy Upgrade California may be better achieved through a revised structure that makes better use of the resources, capabilities, and desired goals of each, under the regulatory structure and authority established by the Commission, as discussed in Section VII below.

## **2. Statewide ME&O Metrics Show Limited Progress**

The purpose of evaluating any program, including Statewide ME&O, is to measure the program's results against its goals.

Performance metrics and targets are central to an objective evaluation of program performance because they highlight change over time compared to a baseline. When metrics are designed to capture substantive program factors and effects, improvement compared to the

baseline is a reliable indicator of program impact, and achievement of targets is a reliable indicator of program success.

At present, Statewide ME&O's metrics do not show any significant or consistent increase in the campaign or brand awareness (aided or unaided) on which the program has been focused since its inception. Opinion Dynamics conducted three waves of their tracking survey on SW ME&O: Wave 1 in December 2012, Wave 2 in May/June 2014, and Wave 3 in March/April 2015. The Wave 1 Survey's pseudo brand "Energy Save It" received 24% aided awareness<sup>3/</sup>.

In addition, the tracking surveys have found aided awareness has remained at the baseline level found in Wave 1, which was actually *lower* than aided awareness of a pseudo brand used as a red herring to test false positive responses. The Wave 2 and 3 surveys included a different pseudo brand, "Step Up and Save Energy," which received 15% and 12% aided awareness, respectively. The tracking surveys also show that almost no one would turn to Energy Upgrade California (EUC), the Statewide ME&O brand, for energy savings tips or practices (0.2%) or for information about saving energy (0.1%).

Additionally, the current metrics track fairly superficial factors of awareness, rather than more substantive impacts like customer knowledge, understanding, and likelihood of taking action. The fact that a pseudo brand achieved 24% aided awareness demonstrates that prompted awareness is not a reliable indicator of brand recognition. Likewise, brand recognition is not a reliable indicator of program understanding.

#### **IV. STRUCTURE FOR STATEWIDE MARKETING, EDUCATION AND OUTREACH**

##### *Amended Scoping Memo Question 3*

*Currently, ME&O is developed in separate but overlapping "silos" across the state, involving four Investor-Owned Utilities (IOUs), two RENs, two Community Choice Aggregators, numerous publicly-owned utilities, and the statewide ME&O program. In addition, consumers*

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<sup>3/</sup> Energy Upgrade California Brand Campaign Evaluation. Brainjuicer. Wave 1 December 2012, Wave 2 May/June 2014, and Wave 3 – March 2015.

*are receiving messages and marketing pitches from contractors, solar installers, retailers, and others. This may be creating a crowded and confusing marketplace that does not motivate consumers. While the public largely supports the state's ambitious greenhouse gas emission goals, it's not entirely clear that most people know what part they can play in achieving these goals. How should statewide ME&O activities integrate with other demand-side marketing efforts after 2016? Please specifically describe the role that identified stakeholders should play to support the mission of statewide ME&O.*

**A. Structural Issues With Statewide Marketing, Education, and Outreach**

Statewide ME&O has a top-down structure, in which the implementer has been delegated authority by the Commission for “brand and marketing strategy, management and execution, monitoring and enforcing the brand’s legal rights, judiciously stewarding the budget and assuming fiscal responsibility and campaign-related liability.”<sup>4/</sup> PG&E recommends that the future structure for Statewide ME&O allow for a designated role for PAs in the decision process, with responsibility and oversight of the SW ME&O implementer’s management, operations, planning, and budget allocations, as discussed in Section VII below.

The current implementer has adopted a responsibility matrix RASCI model (Responsible, Accountable, Supportive, Informed) in which the implementer is “primarily responsible for the strategy and implementation of the Statewide ME&O campaign and leads the achievement of its related goals, accountable to the state via the CPUC and CEC and working in consultation with the IOUs, RENs and other partners.”<sup>5/</sup>

Under this model, Statewide ME&O receives direction and guidance from the California Public Utilities Commission (the Commission) through a separate reporting and accountability structure. The Commission is solely responsible for selecting the program implementer, setting the program’s direction, and judging the implementer’s performance. The IOUs are not authorized any responsibility or oversight of the implementers’ management, operations,

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4/ Energy Upgrade California 2013-2014 Marketing Plan, p. 89.

5/ IBID, p. 91.

planning, or budget allocations. This approach thereby removes the PAs from fully participating in ME&O, thereby leading to misalignment with the PAs' programs, products, and services.

The current model also ignores the basic rules that ensure decision-making authority and responsibilities are aligned to ensure optimal outcomes.<sup>6/</sup> The current organizational structure separates PAs, who are responsible for implementing energy management programs across the state, from any involvement in devising how those programs are going to be reflected in or connected to statewide marketing. In fact, the PAs have no designated role in the organizational decision process: and no authority to initiate, guide, implement, or evaluate Statewide ME&O. This hampers their ability to contribute to its success, fails to adequately support achievement of the State's energy management goals, and hinders customers from taking action to manage their energy use.

## **B. Key Success Factors for Effective Statewide ME&O**

### **1. Leverage the Success, Experience, and Strengths of Individual PA Programs**

Statewide ME&O should leverage and complement PAs' marketing efforts to best serve the customer. Local marketing is uniquely positioned to customize messaging and target the customer with the most relevant offers based on where the customer is on his or her energy management journey.

Statewide ME&O should take full advantage of the PA's expertise, experience, capabilities, customer analyses, and credibility as a trusted source of information. The PAs have extensive customer insight and customer awareness, including a thorough understanding of energy usage, geographical locations, local climates, and other factors that assist with strategic decision-making. This enables them to serve their customers with a high degree of specificity.

The PAs also understand program nuances, bundling, and other matters that enable them to direct customers to additional and alternate opportunities; e.g., bill alerts and payment options

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<sup>6/</sup> James Brickley, Clifford Smith and Jerold Zimmerman, *Managerial Economics and Organizational Architecture*, (New York: McGraw-Hill/Irwin), 381-382; E. Fama and M. Jensen, "Separation of Ownership and Control," *Journal of Law and Economics* 26, 301-326.

which may also generate Demand Side Management (DSM) energy management awareness, and behavior-based savings opportunities independent of publicized program offerings.

PAs also enjoy strong brand awareness in their service areas. Customers rely on their utility to provide demand-side management opportunities, and see their utility as a trusted source for energy-related information. PAs are uniquely positioned to drive customer action and energy efficiency program enrolments.

## **2. Build Upon the Work That Energy Upgrade California Has Undertaken**

PG&E believes that Statewide ME&O needs to redirect its emphasis from strengthening the public's awareness of the EUC brand as a stand-alone entity distinct from the PAs, to a vehicle for customer energy management information and coordination as well as support of local PAs.

The first Statewide ME&O goal in the Commission's Energy Efficiency Strategic Plan is creation of a brand for "California Energy Efficiency" which was said to be a key part of creating a "consumer experience that offers an integrated set of DSM information and program options that are clear, relevant to the consumer, and accessible to all Californians."<sup>7/</sup>

EUC became the Statewide brand in 2013. Since that time, the emphasis of the Statewide ME&O program has been on brand building. However, missing from this brand building emphasis is "clear delineation of what the brand encompasses, including reducing GHG."

## **3. Develop Campaigns Following a Targeted Marketing Model**

PG&E recommends that Statewide ME&O campaigns reflect the principles of a "strategic" or "pragmatic" marketing model which begins with a clear objective; is supported by explicit and measurable strategies, objectives, and tactics, and concludes with an outcome assessment, the findings from which are then reflected in all subsequent campaigns.

Such an approach begins by focusing on identifying and meeting the stated or hidden

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<sup>7/</sup> California Public Utilities Commission: *California Long Term Energy Efficiency Strategic Plan: Achieving Maximum Energy Savings in California for 2009 and Beyond*, September, 2008, p. 80.

needs or wants of customers. In this case, needs and wants take the form of the benefits that energy efficiency, demand response, distributed generation, rebates, and other programs can provide to the customer: greater comfort, better control of energy usage, lower appliance replacement costs, fewer greenhouse gas emissions, and lower energy bills.

The Statewide ME&O strategy to meet these wants and needs is the foundation of a marketing plan which combines all ME&O marketing goals into one comprehensive whole. The plan must be drawn from market research and focus on the right mix of information, incentives, and messaging to achieve the optimum possible result.

Because all customers are not alike, it is necessary to define and subdivide the California market into clearly identifiable segments having similar energy management demand characteristics. The objective is to design a marketing mix that matches the expectations of customers in the targeted segments. Through segmentation based on behavioral, demographic, psychographic, and geographical differences, the customers most likely to respond to various energy management appeals may be reached.

An integrated marketing strategy is then deployed to meet the needs of the defined segments. An integrated strategy unifies mass and direct, online and off-line marketing methods, and vehicles ranging from broadcast and social media, to direct mail and email, to individual outreach at events. The objective is to complement and reinforce the market impact of each method and medium, and to employ the market data generated by each of these efforts.

The absence of the targeted marketing approach described above has led to not only inferior results, but competitive messaging and marketing by the statewide program and the utilities that is diminishing the effect – and possibly having a negative effect - on utility customer awareness, responsiveness, and participation in energy management programs.

While commendable effort has been put into cooperating in the editing of statewide management financing and ME&O plans and the review of online and print marketing and training materials, the campaigns are not the product of a well thought out and collaboratively created marketing effort.

### C. Proposed Collaborative Model

PG&E proposes leveraging elements of the successful statewide marketing approach that Massachusetts has adopted through its Mass Save<sup>®</sup> campaign.

A collaborative, “bottom-up” approach to decision-making and shared responsibility, along the lines of the Mass Save model, can usher in vast improvements in not only the manner in which California’s Statewide ME&O campaign is carried out, but in its effectiveness in realizing the State’s goals. Such a model enables both creation of and accountability for substantive contributions based on the strengths and expertise of each organization. Combined with a strategic marketing approach, this new ME&O structure is driven from the implementation level upwards by those who serve customers, rather than being directed from the top-down by the State.

Under the proposed new ME&O model, the key stakeholders would engage in a collaborative process to recreate a road map for marketing, education and outreach of statewide messaging that embraces, positions and amplifies local energy management marketing activities, and which is in turn supportive of and fully collaborative with the Statewide program.

The Commission would need to explicitly authorize the new structure, and the use of a collaborative committee composed of stakeholders and its staff members, to make decisions about the Statewide ME&O program that uses the Commission’s EUC brand, and to coordinate the IOU and REN programs with the Statewide ME&O program. Active state supervision for the Request for Offer (RFO), and also for the continuing governance activities during the life of the contract would be necessary.<sup>8/</sup>

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8/ The Commission should exercise active supervision of the RFP and the steering committee’s subsequent governance over the Statewide program, coordination of local programs and the Statewide program, and control over the implementer in a manner similar to its supervision of the Demand Response Auction Mechanism (DRAM) approved in D.14-12-024. This decision discusses the need for explicit Commission supervision and authorization at pages 71-72, and adopts, OP 6: “6. Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company are authorized to participate collaboratively with other interested stakeholders in the Demand Response Auction Mechanism pilot design working group. **The activities of this working group shall be pursuant to the express direction and continuing supervision of the Commission through review and approval by the Commission of a final pilot design**” (emphasis added). For the Statewide program, the Commission’s active supervision also needs to continue for the duration

Our proposal for the structure of the new ME&O is explained in Section VII below.

### **1. Mass Save<sup>®</sup> Model Example**

Mass Save is a statewide umbrella marketing effort in Massachusetts that began in 2010. Like Energy Upgrade California, Mass Save is not a distinct entity but rather a brand. But unlike EUC, Mass Save was established by eleven program administrators to serve as the umbrella trademark for all program offerings. The administrators felt it was important to build upon the success, experience, and strengths of the individual programs and avoid the disruption of a creating completely new delivery entity.<sup>9/10/</sup>

The 2011 statewide campaign in Massachusetts focused on program-specific tactics, and in 2012 refocused on communicating what Mass Save is and what it means to Massachusetts residents and businesses. According to an independent report by Opinion Dynamics Corporation, the goals were to educate audiences about the need for and benefits of energy efficiency, increase awareness of Mass Save, and drive Massachusetts residents to participate in sponsored energy efficiency programs.<sup>11/</sup> In 2014, the Mass Save Statewide Campaign targeted residential, low-income, and commercial and industrial (C&I) customers throughout the state with the goal of increasing awareness of Mass Save. As part of this effort, the sponsors strove to explain who and what Mass Save is, as well as what it means, and how Mass Save can help customers lower their energy bills<sup>12/</sup>

The Mass Save brand is sponsored by eleven program administrators and is supported by the Massachusetts Department of Energy Resources (DOER) and Energy Efficiency Advisory

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of the contract because the steering committee will continue to oversee and guide implementation by the contractor.

9/ Mass Save: A new Model for Statewide Energy Efficiency Programs. Christina Halfpenny - Massachusetts Department of Energy Resources, Frank Gundal - NSTAR, Carol White- National Grid, John Livermore, Livermore Energy Associates, Doug Batson – North Atlantic Energy Advisors, and Phil Mosenthal, Mike Guerard, and Gabe Arnold – Optimal Energy, p 2.

10/ Mass Save Sponsors and more information can be viewed on the Mass Save website: [www.masssave.com](http://www.masssave.com)

11/ 2012 Massachusetts Statewide Marketing Campaign Evaluation Report. Opinion Dynamics. January 2013, p. 6.

12/ 2014 Massachusetts Statewide Marketing Campaign Post Campaign Report. Opinion Dynamics. April 2015, p. 1.

Council (EEAC). The following groups play designated roles in the Mass Save<sup>®</sup> effort:<sup>13/</sup>

1. The Energy Efficiency Advisory Council (EEAC) is a stakeholder body with diverse membership including ratepayer advocates and representatives from government environmental offices, low income and labor interests, and business, among others. The EEAC reviews and monitors the success of the programs and provides oversight.
2. The Management Committees and Working Groups provide strategic oversight of categories of ME&O broken down by sector, program, or work stream. For example, the Residential Committee oversees all efforts related to residential programs. The Residential Committee also has working groups under it (basically functioning as subcommittees), comprised of representatives from all PAs, to address day-to-day management of specific program-related items.
3. Program Administrators participate in the working groups and are focused on achieving individual goals they are held accountable for, complying with regulatory obligations, and managing services to their customers. Independent evaluation consultants conduct evaluation studies with oversight provided by the EEAC and program administrators. The above-described structure allows the PAs to manage the different interests, limitations, and perspectives that occur between themselves in terms of their territories, resource limitations, and other unique differences such as level of urbanization, socioeconomic conditions, and size of customer base.<sup>14/</sup> Each member has one vote within each Committee or Working Group and a majority rule ensures that the group can move forward with all topics and issues to be addressed. If there is a breakdown in communication or agreement, the issue may be brought before the EEAC's monthly meeting and a majority vote will determine the outcome.
4. The Technical Consultant team is a group of experts who understand technical issues and relay advice about them to the EEAC in monthly meetings. The team's members are hired by EEAC and work through the program level analysis required for the

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13/ Mass Save: A new Model for Statewide Energy Efficiency Programs. Christina Halfpenny - Massachusetts Department of Energy Resources, Frank Gundal - NSTAR, Carol White- National Grid, John Livermore, Livermore Energy Associates, Doug Batson – North Atlantic Energy Advisors, and Phil Mosenthal, Mike Guerard, and Gabe Arnold – Optimal Energy, pp. 2-4.

14/ Halfpenny et al, p. 5.

review and monitoring of program development, execution, and evaluation. The Consultant team supports program administrators by making recommendations to and executing the priorities of the EEAC.

## **V. THE REQUEST FOR PROPOSAL (RFP) PROCESS**

### *Amended Scoping Memo Question 4*

*In order to expeditiously move forward with an RFP process, it is anticipated that the RFP will be administered by the IOUs in a competitive and open fashion. It is important that a contractor is selected that will be responsive and accountable to the mission of Energy Upgrade California. Please propose, in detail, a solicitation process that will result in the most appropriate contractor being chosen. What entity should administer this process?*

#### **A. Formal RFP for Implementer**

PG&E recommends using an RFP to select an organization responsible for the implementation of the Statewide ME&O campaign. The RFP process should be collaborative, responsive and accountable to the mission of Statewide ME&O to meet the states goals and encourage potential implementer to bid and compete for the contract.

The RFP should be developed and all bid packages should be evaluated by a Steering Committee (described in Section VII. below) that includes a representative from each of the PAs and a Commission representative with delegated authority from the Commission (e.g., a member of the Energy Division) to take advantage of the marketing experience of involved stakeholders. One utility should be selected as the steering committee lead to set up regular meetings, provide an initial RFP draft, develop the contract template, consolidate committee feedback, and facilitate discussion to finalize the RFP (if necessary), issue the RFP, provide copies of all bid packages to the Steering Committee for evaluation and scoring, and track results of the RFP scoring that will determine the contract selected, award a contract, and submit the executed contract to the Commission for approval.

The steering committee must begin work on the RFP as soon as a decision is issued to allow the necessary time for the committee to develop the RFP, prepare the contract template, conduct outreach to potential bidders, issue the RFP, hold a bidders' conference, accept and evaluate bidder packages, award a contract, and obtain Commission approval of the contract. The contract needs to be awarded in sufficient time for the winner to be ready to launch the campaign in time for 2017. A detailed schedule can be developed by the steering committee but must include sufficient time to include solicitation for expression of interest, a minimum of 30 days for bidders to respond to the RFP, and 30 days for the committee to evaluate and score each of the bidder packages submitted.

## **VI. BUDGET**

### *Amended Scoping Memo Question 5*

*In D.13-12-038 and D.15-08-033, the Commission authorized roughly \$21 million per year for statewide ME&O, allocated to specific functions and funded proportionally by ratepayers of the four IOUs. Is \$21 million the appropriate annual funding level? Why or why not? Please address the functional allocation in your response.*

Budgets for the New ME&O would be derived based on the objectives and tactics to be undertaken under the contract. PG&E proposes utilizing a similar approach to that of the Mass Save<sup>®</sup> model and would suggest that budgets be determined based on the agreement and alignment of the goals and objectives. The funding would come from the IOUs based on amounts that the Commission would authorize based on the plans developed and presented to the Commission.

## **VII. CONTRACT MANAGEMENT AND GOVERNANCE**

### *Amended Scoping Memo Question 6*

*In D.13-12-038, the Commission adopted a governance structure for the statewide ME&O that was intended to provide for strong oversight and contract management by the Commission and the California Energy Commission (CEC), while allowing for collaboration,*

*input, and advice from the utilities and other stakeholders. Please comment on whether the current governance structure is meeting the Commission's goals for strong oversight by the Commission and CEC. If not, what is the appropriate governance structure?*

**A. PG&E Recommends a Joint PA Steering Committee to Administer, an Advisory Council to Provide Stakeholder Input, and an RFO to Secure Implementation**

The current structure of the Statewide ME&O program can and should be improved. We believe our proposal would increase the opportunities and incentives for collaboration and for relevant input and advice from all stakeholders to become a central part of the governance of Statewide ME&O. Our remarks below focus on ways to create a more robust governance structure to increase collaboration and, therefore, advice, input, and effective oversight.

In order to better connect Statewide marketing with the underlying PA programs discussed above, we recommend moving away from an independent implementer and adopting a model where there is joint administration by the PAs through a Steering Committee. The Steering Committee would be responsible for setting scope while considering the input of stakeholders; this input would be augmented by an Advisory Council to the Steering Committee. Once scope is set and approved by the Commission, administration of the campaigns outlined in the "Strategic Marketing Plan" would be put out to bid.

A Steering Committee, made up of key stakeholders, would be a positive step to spur additional collaboration and responsiveness for Statewide ME&O. The Committee is intended to be the managerial body responsible for proposing and overseeing Energy Upgrade California's marketing, education, and outreach efforts. It would be comprised of one representative from each PA, an appropriate Commission staff member, and one rotating, non-voting representative of the Advisory Council (described in Section g. below).

Each organization would be equally represented on the Steering Committee without regard to its size, market, or role. While consensus decisions would be the goal, each entity represented on the Committee would have one vote and the majority would rule, except that the

Commission’s representatives in the exercise of their responsibility to represent the Commission could overrule the results of a vote.<sup>15/</sup> We believe that this arrangement would continue to build trust between the representatives and foster collaborative discussion, particularly around campaign planning, allocation of effort, goal setting, and performance evaluation metrics. The Steering Committee would meet with and make use of the expertise of the Advisory Council members as further described below in Section g. below.

Energy Division would have final approval over a number of aspects of the Steering Committee’s work, and would have ongoing input at Steering Committee meetings. The IOUs would request authorization from the Commission to participate collaboratively and with other key stakeholders on the Steering Committee. The activities of the Committee would be pursuant to the express direction and continuing supervision of the Commission through review and approval of the Road Map, Strategic Marketing Plan, and ME&O budgets.

PG&E proposes that the Steering Committee undertake the following mandates:

**a. ME&O Strategic Road Map**

The Steering Committee would create and own the Statewide ME&O Road Map, a planning document that would lay out the ME&O framework for three years into the future. This document would outline high level goals, as opposed to short-term business or campaign planning strategies, and would focus on how Statewide ME&O integrates into and supports the State’s larger energy management objectives. The Steering Committee would conduct an annual review of this Road Map to ensure the statewide program’s progress towards meeting the Road Map’s goals. The Commission would have final approval of the Road Map.

**b. Strategic Marketing Implementation Plan**

The Steering Committee would create a Strategic Marketing Plan, including a budget, for Statewide ME&O, on an annual basis. The plan would cover the mutually agreed-to Statewide campaigns that would be run during the upcoming year, and the efforts that each IOU and REN

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15/ Through its staff members, the Commission would exercise active state supervision of the steering committee and the members’ activities in support of the Statewide program.

would undertake to support and coordinate with the statewide efforts. We believe the Steering Committee's governance over the plans would offer the best opportunity to eliminate duplicative work, share ideas and optimize tactics, ensure coordination between Statewide and local efforts, and foster the kind of creative and collaborative environment that has proven so effective in other statewide models such as Mass Save®.<sup>16/</sup> The Commission would have final approval of annual marketing plans and budgets.

**c. Implementer Oversight**

The Steering Committee would have contractual authority, exercised through one of the IOUs designated by the Commission, over the selection, supervision, and retention of a Statewide ME&O implementer. The Committee would choose from its members a lead to coordinate the RFP process, and the Committee would collectively review and score the proposals and select the implementer by majority vote.

**d. Contract Approval**

Under the guidance of the Steering Committee, the implementer would be empowered to subcontract needed services to carry out the work of the statewide program. The implementer would develop and manage the RFP process for subcontractors. The Steering Committee would have final approval over the selection and retention of those subcontractors.

**e. Evaluation, Measurement, and Verification (EM&V)**

The Steering Committee would have responsibility for developing the metrics by which the statewide effort is measured, including the schedule, scope, budgeting, and execution of EM&V. With the help of independent consultants and evaluators, the Committee would execute a contract for the EM&V plans to ensure that the statewide program's performance is measured objectively. At a minimum, PG&E recommends an annual study on the effectiveness of the statewide program. Without such a study, Statewide ME&O could not be continuously improved

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<sup>16/</sup> Mass Save: A new Model for Statewide Energy Efficiency Programs. Christina Halfpenny - Massachusetts Department of Energy Resources, Frank Gundal - NSTAR, Carol White- National Grid, John Livermore, Livermore Energy Associates, Doug Batson – North Atlantic Energy Advisors, and Phil Mosenthal, Mike Guerard, and Gabe Arnold – Optimal Energy, p. 11.

and made more effective over time. The Committee would be expected to rely on these studies to assist in overall governance and, more specifically, Road Map development and Strategic Planning.

**f. Steering Committee Meetings**

The Steering Committee should meet no less often than once per month to ensure that regular reviews of the Strategic Marketing Plans are undertaken and relevant management decisions executed. The steering committee will also set regular meetings with the advisory council to provide updates on marketing plans, provide updates on progress, and seek their feedback and recommendations. Ad hoc meetings may be scheduled as needed with a majority vote of the Committee. The Steering Committee will determine a timeframe ahead of the meeting to set agendas for upcoming meetings to ensure all members have time to consider and prepare for upcoming discussions to ensure meetings are efficient.

**g. Advisory Council**

To foster true statewide collaboration, interested parties who are not represented directly on the Steering Committee should have an opportunity to contribute to Statewide ME&O program development and ongoing oversight. As such, we recommend the formation of an Advisory Council that reports to the Steering Committee.

The Advisory Council would include representatives from the California Energy Commission, municipal utilities, interveners, environmental groups, the Office of Ratepayer Advocates, and other parties with an interest in Statewide ME&O. The PAs and Energy Division would not have membership on the Advisory Council. Rather, the Council would serve as a resource for the Steering Committee on matters in which the Council's members have expertise.

The Advisory Council would elect a representative to sit in on Steering Committee meetings and serve as a conduit between the two bodies to enable the Steering Committee to understand the views of interested third-parties. It would meet, as the Steering Committee would, at regular intervals – we believe no less than once per month – and report its findings and perspectives regularly to the Steering Committee.

