



Consent Item 8

TO: East Bay Community Energy Board of Directors

FROM: JP Ross, VP Local Development, Electrification, and Innovation

SUBJECT: Authorizing CEO to negotiate and execute contract with Cascade Energy for the Commercial Energy Efficiency Pay for Performance Program

DATE: March 15, 2023

Recommendation

Approve a Resolution authorizing the CEO to negotiate and execute a Contract with Cascade Energy to lead program implementation for the Commercial Energy Efficiency (“EE”) Pay for Performance (“P4P”) Program, compensation under this Contract will not exceed \$11,569,528.

Background and Discussion

EBCE’s efforts to launch a Commercial EE P4P Program stems from EBCE’s 2018 Local Development Business Plan (LDBP) which outlines a series of recommendations to advance local investments, including a strategy to develop energy efficiency programs. Energy efficiency not only provides the opportunity to deliver bill savings and building comfort to customers, it is also a tool for EBCE to reduce overall baseload consumption and influence peak demand. Given the high value provided to customers and the overall alignment with EBCE’s carbon reduction goals, energy efficiency is an organizational priority.

EBCE partnered with Recurve Analytics to pilot a Commercial EE Program in 2021 which explored the potential of a new EE Program model called “pay-for-performance.” Historical energy efficiency programs pay incentives to customers based on estimated or “deemed” savings calculations. Instead, P4P programs pay incentives based on actual savings impacts as measured at the meter. P4P programs not only protect EBCE against potential overpayment relative to actual results, but they also offer more flexibility in project implementation. Recurve’s piloted program design involved setting up a marketplace of contractors or “aggregators” to perform energy efficiency projects and get paid directly for their actual delivered savings

measured at the meter. In this model, incentive payment is provided directly to the contractor, with no required pass-through to the customer. Results from the pilot indicated market readiness and were used to justify a scaled program.

To obtain ratepayer funding for the Commercial EE P4P Program, EBCE pursued the “elect to administer” pathway - one of two pathways offered to CCAs to administer the Commercial EE P4P Program. EBCE’s Commercial Energy Efficiency Program Plan and Advice Letter were certified by the CPUC in Resolution E-5215 in September 2022. The Resolution allocates a budget of \$13,463,049 of funding collected from EBCE’s customers for EBCE to administer a commercial energy efficiency program. The program design presented in the Energy Efficiency Program Plan was based off Recurve’s model.

2022 Commercial Energy Efficiency P4P RFP

In October of 2022, EBCE put forth a Request for Proposal (“RFP”) for program implementation and measurement & verification services. The RFP solicited proposals for program designs that 1) deliver cost effective savings to customers, 2) cross-promote demand response 3) and encourage electrification. Key parameters for the RFP were as follows:

- Savings need to be measured using a CPUC-approved Normalized Metered Energy Consumption (NMEC) methodology
- RFP is technology-agnostic, though explicitly stated it would not provide funding for gas efficiency measures.
- Include customer education on Time of Use (TOU) and peak load management
- Cost effectiveness requirement of 1.07 TRC.
- Implementer budget is \$11,569,528, 71% going to incentives.
- Program term is 2023 - 2027, with three years of active project deployment, and the last year dedicated to measurement and verification (M&V)

EBCE received two conforming bids from Recurve Analytics and Cascade Energy. While both programs were P4P-based and complied with the key parameters laid out in the solicitation, both program designs were different”:

- Recurve’s program approach leveraged a contractor marketplace to target customers for energy efficiency projects. Performance-based incentives would be paid directly to contractors. While there is flexibility for contractors to pass on part of incentive to customers, this would not be required. (This is the same model used in our pilot).
- Cascade Energy proposed a Strategic Energy Management (“SEM”) program design that involves recruiting a small set of high usage commercial and industrial customers to participate in energy management education cohorts. The program relies on partnering with building owners/facility managers to evaluate low-to-no behavioral, retro-commissioning, or operational improvement (“BRO”) measures. Cost savings from initial BRO measures would also be used to justify further investment in EE upgrades and electrification.

Selection Justification

We ultimately decided to pursue contracting with Cascade Energy for the following reasons:

1. **Cost effectiveness:** Cascade’s proposed program is significantly more cost-effective than Recurve’s proposal because it takes a holistic approach to energy efficiency as it focuses on BRO measures and capital projects. SEM program approaches are notably cost-effective for commercial buildings as the bulk of savings comes from fine tuning existing equipment and operations.¹ Additionally, the CPUC has authorized Recurve to administer the Summer Reliability Market Access Program (MAP) in response to the Governor’s Emergency Proclamation. The MAP program uses the same program design Recurve proposed but is not subject to cost-effectiveness requirements and only runs during the summer months of 2022 and 2023. Because of this, the MAP program is able to afford significantly greater incentives, which would put EBCE’s Commercial EE Program (if using the Recurve model) at a competitive disadvantage.
2. **High touchpoint with customer:** Cascade proposes targeting a small set (34) of high usage commercial and industrial customers to recruit into energy management cohorts. Unlike the Recurve model which relies on contractors to recruit their own projects, the Cascade design relies heavily on customer interaction and relationship building. Given the small subset of customers, EBCE will be able to play a role with customer recruitment as well as develop deep relationships with customers over the course of the program. As EBCE begins prioritizing brand awareness, this customer touchpoint will be invaluable for brand recognition. Additionally, incentives will be paid directly to the customer, not the contractor, further enhancing the value proposition to customers.
3. **Ability to test strategies for commercial electrification:** Cascade’s proposal also poses a significant opportunity to test strategies for commercial electrification, a nascent but critical element of building electrification. This program will give EBCE a close-up understanding of the unique barriers that C&I customers face and the relevant pathways to success.

In addition to these points, the Cascade Energy and their subcontractor kW Engineering team are qualified to do this work. Cascade Energy has been running SEM programs for SCE, SoCalGas, and SDG&E since 2018. Additionally, they administer programs in 15 other states outside of California. With their experience working with SEM design, they have successfully recruited over 500 SEM participants across all programs. Additionally, through their work with California IOUs, Cascade Energy is familiar with the level of program data needed for CPUC reporting requirements and will be able to easily collaborate with our subcontractor, Frontier, to accurately capture savings information. kW Engineering, an Oakland-based energy consulting firm, has over 20 years of experience providing technical expertise and engineering

¹ Smith, Chris. Belkhatay, Kathleen. Kesting, Oliver. *Pay for Performance Case Study – 3 Years of Performance*. ACEEE Summer Study, 2018.

reviews for various commercial and industrial buildings. They have also assigned a dedicated electrification lead to support participants with potential projects.

Fiscal Impact

The contractor amount is a total NTE of \$11,569,528 with a contract term of 2023 - 2027. All funding is coming from approved CPUC-approved ratepayer funds in Resolution E-5125.

Attachments

- A) Resolution of the Board of Directors of the East Bay Community Energy Authority Authorizing the CEO to Execute a Consulting Services Agreement with Cascade Energy
- B) PowerPoint Presentation

RESOLUTION NO. R-2023-XX

A RESOLUTION OF THE BOARD OF DIRECTORS

OF THE EAST BAY COMMUNITY ENERGY AUTHORITY AUTHORIZING THE CEO TO EXECUTE A CONSULTING SERVICES AGREEMENT WITH CASCADE ENERGY, INC.

WHEREAS The East Bay Community Energy Authority (“EBCE”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of EBCE and parties to its Joint Powers Agreement in March of 2020.

WHEREAS, On July 18, 2018, the Board approved the Local Development Business Plan (“LDBP”) and budget. The LDBP identifies a series of local development early actions, including a strategy to develop energy efficiency programs,

WHEREAS, in September 2022, EBCE was approved for a \$13 million ratepayer funded commercial energy efficiency program administered under the auspices of the CPUC and subject to CPUC compliance requirements,

WHEREAS, in October 2022, EBCE issued a Request for Proposal “RFP” for implementation and measurement and verification services with the objectives of 1) delivering cost-effective savings, 2) cross promoting load-shifting practices, and 3) encouraging electrification program,

WHEREAS, EBCE received two conforming bids and selected Cascade Energy’s Strategic Energy Management program design for the EBCE Commercial Energy Efficiency Program, and

WHEREAS EBCE has selected Cascade Energy to provide these commercial energy efficiency program services and wishes to contract with them.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. THE CEO is hereby authorized to negotiate and execute a four year Contract with Cascade Energy for the implementation of the Commercial Energy Efficiency Program. Compensation under this Agreement is not to exceed \$11,569,528.

ADOPTED AND APPROVED this 15th day of March, 2023.

Elisa Marquez, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board

MARCH 2023

Commercial Energy Efficiency Program



Commercial P4P Energy Efficiency Program Background

2021 - 2022: EBCE ran 3 pilots to test market-readiness for P4P



2022: CPUC approved \$13M for 4-year program commercial P4P EE program

- Subject to TRC = 1.07
- Only serve EBCE customers
- Must file JCM (PG&E Market Access and BayREN Business)

Year	Gross kWh Savings	Gross kW
1	9,011,867	1029
2	9,011,867	1029
3	12,304,105	1405

Commercial P4P Energy Efficiency Solicitation

Program Objectives: 1) Deliver cost-effective energy savings, 2) Cross-promote demand response to maximize peak load reductions, and 3) Encourage electrification of existing natural gas end uses.

Recurve model

- Manages a network of contractors
- Incentives paid directly to contractors
- TRC < 1.0, not cost-effective given competing programs
- Low/no customer touchpoint

Cascade Energy model

- Strategic Energy Management program
- Targets 34 high usage C&I customers
- Incentives paid directly to customers
- TRC = 2.3, highly cost-effective
- High customer touchpoint (brand recognition and relationship development)



What is Strategic Energy Management?



Goal Setting

Document customers targets for energy reduction, cost savings, and environmental impact



Workshops

Educational modules on energy management, peak load shifting, and electrification



Treasure Hunts

Site visits to assess current building operations, energy usage, operational practices, and identify opportunities



No/low-cost O&M Projects

Implement low/no cost behavioral, retro-commissioning, and operation measures



Capital Projects

Implement custom capital EE upgrade projects and electrification

Ongoing Technical Support
and Coaching

Cascade Commercial P4P Energy Efficiency Details

Program Name: STEER (SEM, Training, Efficiency, and Electrification Resource Program)

	2023				2024				2025				2026			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cohort A		Commercial, 12 Participants														
Cohort B			Commercial, 12 Participants													
Cohort C				Industrial, 10 Participants												

Requested Actions