

ComEd Third-Party Efficiency Programs Request for Proposals Scope of Work

I. Summary and Introduction

In October 2011, the Illinois General Assembly enacted legislation modifying the existing utility energy efficiency procurement process. Prior to enactment of this legislation, Illinois utilities prepared three-year plans for approval by the Illinois Commerce Commission (ICC) that detailed the acquisition of electricity savings sufficient to meet statutory targets within a statutory budget constraint. Consistent with that legislation, ComEd developed its *Smart Ideas* portfolio of energy efficiency programs.

The new legislation requires that utilities procure, subject to ICC approval, all additional cost-effective energy efficiency from certain classes of customers. However, this incremental procurement process is to take place within the existing process for procuring electricity; a process that is prescribed by the Illinois Power Agency Act and the Illinois Public Utilities Act (PUA), managed by the Illinois Power Agency (IPA), and approved by the ICC. The IPA procures electricity for customers (1) whose electric service has not been declared competitive and (2) who continue to take bundled service from the utility.¹

The legislation prescribes that qualifying utilities shall prepare, and provide to the IPA, an assessment of additional cost-effective energy efficiency that could be obtained from those customers who are eligible to purchase power and energy from ComEd under fixed price bundled tariffs, whether they actually do so or not. In preparing this assessment utilities are directed to conduct a solicitation of proposals from third parties. The IPA will consider the utilities' assessments and is directed to include in its annual procurement plan, filed with the ICC, energy efficiency programs it finds to be cost-effective. Upon approval by the ICC of a procurement plan including incremental energy efficiency programs, each utility is directed to implement these programs, including any such third party programs as have been approved.

This Request For Proposals (RFP) is being issued by ComEd as the initial step in this process. Bidders are strongly encouraged to review the referenced statutory provisions. IPA Act 20 ILCS 3855/1-10 can be found at:

<http://www.ilga.gov/legislation/ilcs/ilcs5.asp?ActID=2934&ChapterID=5>

PUA; 220 ILCS 5/16-111.5B can be found at:

<http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=022000050HArt%2E+XVI&ActID=1277&ChapterID=23&SeqStart=35800000&SeqEnd=40900000>

¹ Customers who reside within a customer class not yet declared competitive may nevertheless elect to take service from a Retail Electric Supplier ("RES") or Alternative Retail Electric Supplier ("ARES"). This election may either be made by an individual customer or by a municipality on behalf of customers vis-à-vis the Illinois municipal aggregation process.

Following is a summary of this RFP. Details of these summary points follow.

- Bidders shall propose electric energy efficiency measures and programs that acquire net megawatt-hour (MWh) savings that are incremental to the savings being acquired by ComEd's current portfolio. The proposed programs should not directly compete with programs currently offered in the ComEd *Smart Ideas* energy efficiency portfolio, and should not be simple marketing channels for existing ComEd *Smart Ideas* programs. The proposed programs may supplement or complement current programs, or may be new programs but have to demonstrate clear and measurable savings.
- The proposed programs are for the purposes of acquiring electricity savings from those customers with a peak electric load of 100 kW and below who take delivery from ComEd, regardless of whether they choose a Retail Electric Supplier (RES) or take electricity supply through ComEd. This includes the residential customer class and commercial and industrial (C&I) customer class with peak loads of 100 kW and below.
- ComEd will accept proposals for single-year and/or multi-year programs, up to 3 years in duration. Per the "Bid Submittal Format", Bidders shall provide all budget, marketing costs, kWh energy savings, and participation levels broken down by Program Year. The potential three-year term of the services of this RFP is applicable to program years seven through nine (PY7-PY9), for the period from June 1, 2014 through May 31, 2017. However, selection of a one-year or multi-year program will be at the discretion of the IPA. For multi-year proposals that are selected by the IPA for only a one-year term, ComEd may choose to negotiate the extension of a program beyond the one year, at the IPA's direction, during the PY8 and/or PY9 RFP cycle.
- The proposed program's net kWh cost must be less than or equal to the electricity costs that would be avoided as a result of the energy efficiency measure, and the program must pass the total resource cost (TRC) test with a benefit cost ratio greater than 1.0.
- The proposed programs are subject to screening by ComEd and review and approval by the IPA and the ICC.
- ComEd encourages multiple and creative proposals that, in their totality, would make available to the IPA *all cost-effective* electric energy efficiency resources that could be procured outside of ComEd's existing portfolio. These could include large, broad-based efforts, or highly focused strategies targeting specific market subsegments or unique technologies, practices, or behaviors.

1. ComEd Smart Ideas Portfolio

ComEd is currently in its fifth program year (PY5) of administering its energy efficiency portfolio. The proposed programs that result from this bidding process will be implemented during PY7 and run for up to three years through PY9, covering the period from June 1, 2014 to May 31, 2017. The proposed programs should not directly compete with programs currently offered in the ComEd *Smart Ideas* energy efficiency portfolio, and should not be simple marketing channels for existing ComEd *Smart Ideas* programs. The proposed programs may supplement or complement current programs, or may be new programs. Details regarding the current (PY5) ComEd *Smart Ideas* portfolio can be found on the ComEd website in the “Home Savings” and “Business Savings” tabs: <https://www.comed.com>.

Information regarding ComEd’s currently approved Energy Efficiency and Demand Response Plan may be found at: <http://www.icc.illinois.gov/downloads/public/edocket/276467.pdf>

2. Eligible Customers:

Those customers who are eligible to procure the energy efficiency measures are all those with a peak electric load of 100 kW and below who take delivery from ComEd, regardless of whether they choose a RES or take electricity supply through ComEd. This includes the residential customer class and C&I customer class with peak loads of 100 kW and below.

The following table provides information on the size of the eligible customer base.

Table 1 – Eligible Customer Base

| Customer Class | Average Number of Customers in 2011 | MWh Delivered to Customers in 2011 |
|-----------------------------|-------------------------------------|------------------------------------|
| Residential | 3,456,945 | 27,722,802 |
| Small Commercial/Industrial | 339,872 | 11,999,941 |

3. Program Term

Under this RFP, ComEd is seeking proposals for up to 3 years in duration. Per the “Bid Submittal Format”, Bidders shall provide all budget, marketing costs, kWh energy savings, and participation levels broken down by Program Year. EM&V of program performance will occur after the completion of each program year. See section VII Budgets and Payment Structure for details.

The potential three-year term of the services of this RFP is applicable to PY7 through PY9, for the period from June 1, 2014 through May 31, 2017. However, the legislation requires that ComEd conduct an annual solicitation process for purposes of requesting proposals from third-party vendors and provide to the IPA an assessment of cost-effective energy efficiency programs or measures that could be included in the procurement plan. The IPA annually develops its procurement plan which is docketed and approved, or approved as modified, by the ICC. Therefore, the program duration (single or multi-year) for the selected proposals will be at the discretion of the IPA. For multi-year proposals that are selected by the IPA but approved for only a one-year term, ComEd may choose to negotiate the extension of a program beyond the one year, at the IPA's direction, during the PY8 and/or PY9 RFP cycle.

ComEd reserves the right to terminate or suspend any contract per ComEd's standard Terms and Conditions.

4. Cost Effectiveness Requirement

The estimated cost of the measure, when divided by the kWh saved over the useful life, shall be less than or equal to the full avoided electricity costs. In addition, the program must pass the TRC test with a benefit cost ratio greater than 1.0. Bids must reflect a total program cost in addition to a cost/kWh. Costs provided in the bid must be all inclusive of total program costs such as marketing, customer care, labor including subcontractors, material costs, program management, reporting, etc. ComEd will perform the TRC test and analysis for determining if the Bidders program costs abide by the cost-effective requirements.

Following is the definition of the applicable TRC test (20 ILCS 3855/1-10 Sec.1-10. Definitions):

"Total resource cost test" or "TRC test" means a standard that is met if, for an investment in energy efficiency or demand-response measures, the benefit-cost ratio is greater than one. The benefit-cost ratio is the ratio of the net present value of the total benefits of the program to the net present value of the total costs as calculated over the lifetime of the measures. A total resource cost test compares the sum of avoided electric utility costs, representing the benefits that accrue to the system and the participant in the delivery of those efficiency measures, as well as other quantifiable societal benefits, including avoided natural gas utility costs, to the sum of all incremental costs of end-use measures that are implemented due to the program (including both utility and participant contributions), plus costs to administer, deliver, and evaluate each demand-side program, to quantify the net savings obtained by substituting the demand-side program for supply resources. In calculating avoided costs of power and energy that an electric utility would otherwise have had to acquire, reasonable estimates shall be included of financial costs likely to be imposed by future regulations and legislation on emissions of greenhouse gases.

5. IPA and ICC Approval

The IPA procures electricity supply on behalf of ComEd customers that are on fixed-price bundled service. This supply is then delivered by the ComEd distribution system. ComEd provides a submission of its customers' estimated electricity supply needs to the IPA by July 15 of each year. The IPA then develops its procurement plan which is docketed and approved, or approved as modified, by the ICC no later than December 31 of that same year. The approved procurement plan is then implemented starting June 1 of the subsequent year.

The approved procurement plan will indicate the energy efficiency measures that are to be included in the procurement and thus dictate the programs that will be implemented as a result of this RFP. Incremental energy efficiency programs that pass the cost effectiveness requirement and are included in the IPA procurement plan will be scrutinized by interested parties in the annual docketed proceeding and will ultimately be approved or rejected by the ICC prior to implementation. ComEd cannot predict the outcome of this process and therefore makes no warranties to potential Bidders of incremental energy efficiency programs. Final program implementation is contingent upon Commission approval.

II. Scope of Work

Third-party efficiency program Bidders must submit proposals that respond to the minimum scope of work outlined in this section. Bidders are welcome to propose alternative scopes, with different tasks or activities, but these alternative proposals must be in addition to the mandatory scope outlined here.

The scope of work includes the following areas of activity:

1. Program Parameters
2. Marketing and Outreach
3. Customer Care
4. Workflow Processes
5. Program Management Systems and Processes
6. Reporting
7. Policies and Procedures
8. Customer Satisfaction Research
9. Participation Savings Goals

1. Program Parameters

Proposals can be technology, delivery, or behavioral based solutions that will produce measureable electricity savings. ComEd will only consider proposals that include technologies that are commercially available in the marketplace (pre-commercial technologies are not eligible for this RFP) or programs providing reliable and measurable kWh savings. Bidders may propose more than one program but each program must be provided as a separate bid.

The following programs/technologies are not eligible under this RFP:

- Renewable energy
- Demonstration projects and limited production technologies
- Fuel switching
- Load shifting
- Power factor correction

Performance evaluation will be conducted by an independent evaluator at the close of each program year although evaluation activities may be ongoing throughout a program year. Therefore, program design considerations must be made to account for net savings determinations including net-to-gross estimations and kWh savings per measure. After the Bidders are selected and prior to program implementation, ComEd's independent evaluation firm will confirm recommendations for values to determine estimated net savings values for planning purposes. Some of the elements evaluated will include overall program performance, and energy savings achievement.

Bids will be shared with and are subject to review and approval by both the Illinois Power Agency and the Illinois Commerce Commission prior to the awarding of contracts.

Eligible Customer Classes, Customers and Programs:

This RFP seeks to procure kilowatt-hour reduction from customers in eligible retail classes and from eligible retail customers as defined in Section I.2. Bidders must specify in their proposal the customer market (e.g. residential, C&I < 100 kW) they are targeting.

The following customer classes/markets are not included in this RFP: all C&I customers with load greater than 100 kW; local, state and federal government facilities; public schools; community colleges; and public universities.

2. Marketing and Outreach

The selected Bidders will be responsible for program design/redesign, managing, executing, securing, documenting, and reporting energy savings and marketing of the program under the review and approval by ComEd. Bidders should assume they will have design, execution, marketing and outreach responsibility for the purposes of this bid. However, upon review by ComEd it may be determined the likelihood of achieving cost-effective savings would be enhanced by marketing the program under the *Smart Ideas* banner, which could result in the need of background checks, data security compliance, adherence to ComEd branding requirements, etc.

In addition, the program should be designed to avoid the potential of double-dipping (applying for multiple incentives or rebates for the same energy efficiency measure) into ComEd's existing *Smart Ideas* portfolio. Energy efficiency measures already addressed as standard (e.g., prescriptive) in the ComEd *Smart Ideas* portfolio will be considered as long as they are targeted at niche market subsectors or customers not already being served by the *Smart Ideas* portfolio.

Bidders will design and implement direct marketing campaigns necessary to attract the levels of qualified participants to meet the energy savings goals as established in their proposal. Bidders will select the delivery channels (e.g., direct mail, telephone, internet, etc.) and develop the collateral, phone scripts, and other materials involved in the direct marketing campaigns. Bidders will be required to submit drafts of marketing approaches and materials to ComEd for review before contacting customers. ComEd reserves the right to reject marketing material or tactics considered false, misleading or inappropriate.

Bidders will develop a marketing plan outlining the marketing and outreach activities to be completed during each program year and submit to ComEd for approval at least 60 days prior to program launch.

Marketing and Program Design costs should be itemized separately on the bid.

3. Customer Care

Bidders will develop and operate systems as necessary to provide excellent customer care in all stages of the program.

- Staff
 - Providing trained personnel able to respond to customer inquiries regarding program services, scheduling issues, warrantee issues, and other program-related issues.
- Minimum telephony requirements include:
 - One physical location where the calls will terminate and be answered by an agent.
- Internet capability, including:
 - Maintenance of a program-specific micro-website providing program information and allowing customers to begin intake procedures for program enrollment.
 - Email functionality capable of responding to customer email inquiries by the end of the next business day.

4. Workflow Process

Bidders will offer the following service to customers at various stages of program workflow.

Intake:

Bidders will develop and implement processes to answer questions from prospective customers, screen for program eligibility and target markets. Bidders will develop policies and procedures for customer intake and submit to ComEd for approval at least 60 days prior to program launch.

Quality Assurance and Evaluation Support:

Bidders will develop and implement a quality assurance protocol to ensure that the program achieves energy savings, provides required documentation for ComEd and independent evaluator, safety, customer service, and other performance metrics.

Bidders will be required to support ComEd's independent evaluator in the assessment of the bidders' programs, by providing access to program records, access to program employees and subcontractors, and other support as required. Bidders will develop a quality assurance plan and submit this plan to ComEd for approval at least 60 days prior to program launch. Plan shall accommodate ComEd's need to audit Bidders program processes and field activities, including subcontractor activities.

5. Program Management Systems and Processes

Selected Bidders will develop and implement program management systems and processes that support effective program management and delivery. Program management systems may include computer systems, employee procedures, or other systems. ComEd will retain all rights to data, results, and any other information collected/developed during the performance of these programs. At a minimum, these systems must be capable of supporting the following functions:

- Processing customer intake requests and screening customers for program eligibility.
- Procuring and managing the qualified subcontractors required to implement program and providing sufficient capacity of qualified subcontractors to meet program demand in the geographic regions targeted by the program. All contractors shall have or obtain all required licenses, certifications, permits and insurance for the work proposed.
- Scheduling customers, subcontractors, and quality assurance personnel for efficient delivery of program services.
- Providing appropriate training to selected Bidders staff and subcontractors needed to provide the program services.
- Providing timely resolution to customer complaints and issues, with documented call center scripting and complaint escalation processes.
- Collecting and storing data on customer energy savings and customer work flow through program implementation.
- Interfacing with ComEd, as required, to allow for secure, weekly automated data transfers of key program metrics meeting ComEd data transfer protocols.
- Tracking information needed to assess key performance indicators (KPI) used to measure and structure payments for selected Bidders performance, including tracking safety, customer satisfaction, participation, energy savings, and other program features.
- Participating in routine status calls with ComEd as needed for effective program management.
- Providing the management reports.
- Reporting of any safety incidents as detailed in the attached EE General Requirements document.

If the program provider is requiring customer information from ComEd or intends to collect customer information directly from the customers while serving as a ComEd agent with the program being marketing under the *SmartIdeas* banner, then the following two conditions must be met:

- The program provider must ensure the privacy of customer data. Selected Bidders' data security processes and systems must meet or exceed ComEd security requirements.
- The program provider must adhere to ComEd branding requirements and Marketing review.

6. Reporting

Selected Bidders will provide weekly, monthly, and quarterly management reports to ComEd through paper and electronic transfer. These reports may also be given to independent evaluators, who may contact participating customers (including through on-site visits) to evaluate Bidders performance and verify installations. Management reports must include, at a minimum a summary of key activities, accomplishments, program status, budget status and estimated savings.

7. Policies and Procedures

As described in previous sections, Bidders will develop and maintain plans, specifications, policies and/or procedures governing the following program operations:

- Marketing
- Customer care
- Customer intake
- Subcontractor recruitment and contracts
- Quality assurance
- Management systems
- Weekly, monthly, and quarterly management reports

At least 60 days prior to program launch, Bidders will provide draft copies of appropriate materials for approval by ComEd. Bidders shall include in their proposals schedules for developing, submitting, and approving these materials to ensure that program operations can begin on negotiated date and to ensure that program operations adapt to future market changes.

8. Customer Satisfaction Research

Bidders shall offer customer satisfaction surveys to all program participants. At least 60 days prior to program launch, Bidders will provide draft copies of survey materials for approval by ComEd. Bidders will track customer survey results as they become available and report results to ComEd. Bidders shall be responsible for any printing and postal/postage and internet microsite fees. For programs operating under the ComEd brand, bidders should coordinate deployment of any surveys with ComEd and its Call Center to minimize customer confusion. Bidders shall provide an electronic copy of all returned survey forms to ComEd monthly.

9. Participation and Savings Goals

Selected Bidders are responsible for meeting agreed upon participation and net energy savings goals and adhering to an agreed upon budget. ComEd does not guarantee a level of participation but will collaborate on adjusting goals based on the number of eligible customers. Bidders will be responsible for conducting the marketing and outreach necessary to reach these goals. ComEd reserves the right to stop program operation for the remainder of the program year if target budget is reached.

III. Key Program and Contractor Selection Criteria

First and foremost, ComEd is seeking programs that maximize cost-effective savings. Due to the wide range and variability of proposals ComEd may receive, it will not be possible to establish specific criteria until the submittals are reviewed. ComEd expects that the potential uniqueness of some of the proposals will necessitate the development of individualized criteria. All proposals should contain and will be evaluated on the following:

- The level of innovation and creativity in identifying and having a promising plan to capture all cost-effective opportunities within a particular market or markets being focused on.
- The qualifications of the firm to effectively carry out the plan and capture the planned savings. For further details regarding the qualification of the firm can be found in the Third Party Efficiency Programs Bidder Submittal Format guideline.
- The ability to contribute cost-effectively to overall efficiency savings in Illinois while not undermining ComEd's existing program portfolio delivery and achievements.
- Bidders must define their marketing plan, program delivery approach, controls and goals. The proposal must define this information for each market/subsector.
- Programs must pass the cost-effectiveness analysis described in this document.
- Programs must have an evaluation, measurement and verification (EM&V) plan.
- Bidders must state the program's proposed net kWh savings per program year for each program and/or market/subsector based on total program costs.
- Bidders must present the budget range commensurate with their target cost per kWh saved for each program year for each program and market/subsector.
- Bidders must present all calculations including estimated useful life data, net-to-gross and measure values to support their cost per kWh estimate.
- The cost of RFP preparation and any on-going expenses incurred during the process leading up to implementation will be the sole responsibility of Bidders.

IV. Evaluation, Measurement and Verification Requirements

It is expected that each program proposal will be submitted with its own planned EM&V methodology and criteria, broken down by Project Year. Details of the EM&V criteria are expected to be finalized between ComEd and selected Bidders during the contract negotiations. However, in all cases ComEd requires the following components as part of the evaluation plan:

- Program implementation
- Customer participation
- Methodology for estimating annual gross and net kWh savings
- Methodology for determination of free ridership and spillover impacts and therefore net to gross (NTG) ratios
- Customer satisfaction evaluation criteria

Bidders should provide a list of the proposed energy measures and projected savings, in an Excel spreadsheet, following a format similar to the one shown in the attached Submittal Format guideline section 3.5.1.

Savings calculations for proposed program measures should comply with the State of Illinois Technical Reference Manual (TRM) calculation methodologies. Savings calculation assumptions are subject to change per the TRM, which is revised annually and in effect on March 1, 2014. The current Illinois TRM can be found at: <http://www.icc.illinois.gov/docket/files.aspx?no=12-0528&docId=187554>

V. Exceptions and Disclosures

Bidders need to provide a description of any proposed exceptions to the ComEd Services Agreement and attached EE General Requirements, Terms and Conditions, and PII requirements. In addition, all Bidders should pay special attention to the attached Third Party Efficiency Programs Bidder Submittal Format guideline.

Bidders also need to provide a list of any potential conflict and a disclosure of any professional relationships they have with ComEd, any of its entities and any implementers and contractors currently engaged by ComEd for its energy efficiency portfolio.

VI. RFP and Program Development Timeline

Bidders should develop their implementation timetable based on the following schedule:

Table 2 – Timeline

| RFP – Call for Proposals | Start Date | End Date |
|-----------------------------------------------------------|-------------------|-----------------|
| RFP Release Date | 2/15/2013 | |
| Bidders Questions Accepted | 2/15/2013 | 2/22/2013 |
| Pre-bid Call | 2/22/2013 | 2/22/2013 |
| Response to Questions Issued | | 2/27/2013 |
| Bidders Proposal(s) Submission Due | | 3/29/2013 |
| Proposal Review and Bid Discussions** | 4/1/2013 | 12/31/2013 |
| Program Development and Roll Out | Start Date | End Date |
| Notification of Bid Selection(s) - Subject to Negotiation | 1/15/2014 | |
| Negotiations, Purchase Order/Contract Issued | 1/16/2014 | 2/28/2014 |
| Program Marketing Ramp-up | 3/3/2014 | |
| Programs Begin | 6/1/2014 | |

** Note: Bids and programs subject to review and approval by the IPA and the ICC.

VII. Budget and Payment Structure

The RFP requires proposed programs to be designed as pay-for-performance based on net kWh saved. The net kWh saved will be determined by an independent evaluator after the close of each program year. Program payment true-up will occur after the evaluation period based upon the net kWh saved through the program, which is typically a six-month duration. However, ComEd recognizes that because the performance will not be determined until after the end of the annual evaluation period, it may result in financial hardship on program providers. In order to balance the program Bidder's financial need and risk against the final true performance payout, ComEd will consider other proposed compensation approaches that minimizes risk of overpayment and includes methods for overpayment reimbursement. However, payment structures cannot include fixed fees that are not ultimately adjusted based on savings performance, or performance payments that only partially reimburse ComEd and its ratepayers for savings below proposed levels. Bidders shall provide a proposed budget and payment structure for each program. The payment structure should include details of payment cash flow and overall cost per net kWh.

There is no prescribed budget cap for the proposed programs. Rather, ComEd invites proposals that identify and can capture all cost-effective additional efficiency resources. Bidders may submit multiple different programs or initiatives, but these should be provided as separate bids. The intent of the PUA is for IPA to procure all cost-effective energy efficiency resources that are deemed qualified and reliable that are made available through this procurement. Bidders must perform market research and apply their expertise to determine the realistic amount of savings they can achieve within a reasonable budget.

ComEd reserves the right to modify the proposed size for selected programs. Bidders should state budget ranges for the program enabling ComEd to potentially modify the budget/program.

ComEd reserves the right to terminate or suspend any contract per ComEd's standard Terms and Conditions.

Bidders must provide a budget in the format provided in the following table.

Table 3 – Budget Format Template

| Budget Item | PY7 | PY8 | PY9 |
|--------------------------|------------|------------|------------|
| Program Start Up | | | |
| Program Administration | | | |
| Program Marketing | | | |
| Program Delivery | | | |
| Incentives | | | |
| Costs of Direct Delivery | | | |
| Total | | | |

Budget items are defined below. Bidders should clearly explain what is included in each line item:

- Program Start Up includes one-time, non-recurring expenses specifically related to establishing a new program.
- Program Administration includes the Bidder's on-going administrative costs to support program operations. These may include tracking, reporting, subcontractor administration, call center and customer support operations, etc.
- Program Marketing includes advertising, customer outreach and education, development and production of marketing materials, website and content development, media purchases (if any), and related expenses.
- Program Delivery includes the costs of application intake, pre-qualification, incentive processing, technical support, and other costs related to applicant project support.
- Incentives are payments made to reduce the participants' costs of energy efficiency measures. Incentives are **not** intended to eliminate participants' costs for purchasing and installing measures. If measures are provided at no cost to the participant, those costs should be provided separately as the Costs of Direct Delivery (see below).
- Costs of Direct Delivery apply to certain programs where the full cost of measures, including installation, is provided at no charge to the customer. Many residential and business direct install programs provide some measures at no charge to the customer.