

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

***Consideration of Contract with Frontier Energy, Inc. for Contractor
Management Services for the Residential Energy Efficiency Loan (REEL)
Assistance Program in an Amount Not to Exceed \$1,500,000***

Tuesday, August 15, 2017

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REQUEST

Staff are requesting approval to enter into a contract (“Contract”) with Frontier Energy, Inc. (“Frontier,” “Contractor Manager” or “Contractor”) to provide assistance to the Authority with the administration of the Residential Energy Efficiency Loan (REEL) Assistance Program (the “Program”) currently in development within the territories of the California investor-owned utilities: Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SCG) (each an IOU, and collectively, the IOUs), and authorized by the California Public Utilities Commission (CPUC).

Contract Amount. Not to exceed a total aggregate of \$1,500,000 over the entire Contract term, including the optional extension.

Term of Contract. CAEATFA intends that this Contract will be for a multi-year term, subject to CAEATFA’s receipt of legislative budget approvals for future fiscal years. The initial Contract term will be through September 2019, after which CAEATFA may choose to execute one, one-year extension.

SUMMARY

On behalf of the California Public Utilities Commission (CPUC), CAEATFA is the administrator of the California Hub for Energy Efficiency Financing (CHEEF) and is responsible for launching several energy efficiency financing pilot programs (“pilots”). The pilots were authorized to support the State’s broader energy efficiency and environmental policy goals through leveraging private capital for energy retrofits. REEL is the first of several pilot programs to launch, targeting the single-family, residential market.¹ The REEL Program provides mitigates the risk of default for lenders by providing a credit enhancement for enrolled loans. This protection enables participating lenders to offer more attractive financing terms to a broader group of borrowers, including financing 100% of the energy upgrade, removing the

¹ The REEL Program launched with enrollment of its first loan in July 2016. The two-year term of this pilot will end in July 2018, and the Program is expected to continue throughout the CPUC’s evaluation period. As of August 4th, 2017, staff have onboarded four active lenders and trained 232 retrofit contractor companies, of which 135 are enrolled in the Program and have enrolled 38 loans.

first-cost barrier for consumers.

In conducting its research on best practices during the development of REEL, CAEATFA staff identified the need for a contractor manager to provide development and ongoing support for energy efficiency retrofit contractor recruitment and management, project review, verification, and reporting. CAEATFA staff's initial approach was to select an entity that could fulfill this role for both the residential and commercial pilots. As the timetable to launch the commercial pilot was extended, staff recognized the need to procure these services for the REEL Program more quickly and de-couple the services. To date, during this interim period, CAEATFA staff – in coordination with CSE (the CHEEF marketing implementer) – has been fulfilling much of this role.

Role of the Contractor Manager. The Contractor Manager will recruit, train, and support energy efficiency retrofit contractors in participating in the REEL Program. It will also provide quality assurance and quality control for the Program in the form of desk-top reviews of enrolled loans and on-site inspections of a portion of the projects that are not participating in a rebate or incentive program.

The Scope of Services broadly falls into seven categories:

1. Contractor Marketing, Education & Outreach and Recruitment
2. Conduct Contractor Training
3. Process Contractor Applications and Certify Contractors
4. Support for Participating Contractors
5. Compliance Verification
6. Reporting
7. Program Design Assistance Task Orders

Request for Proposal Process. On April 17, 2017, CAEATFA Staff advertised a Request for Proposal (“RFP”) through the Department of General Services Contracts Register, as well as on the CAEATFA website. At the proposal deadline, May 25, 2017, the Authority received five responsive proposals.

Staff developed an evaluation process that included an Evaluation Committee consisting of CAEATFA staff and management. The proposals were evaluated based on the characteristics and point values outlined below, for a maximum possible 100 points. Frontier’s proposal received a total score of 92.4 from the Evaluation Committee.

- 1) Qualifications of the Firm and Personnel: The firm’s overall experience demonstrating its ability to successfully complete the Scope of Services, including contractor management experience. CAEATFA also considered the individuals to be assigned to the Contract on the basis of background and experience in related work including experience as a contractor manager, and with similar types of programs, as well as the extent to which the firm dedicates a small team of qualified individuals to the project. (45 points)

- 2) Response to Scope: The overall plan proposed by the firm to carry out the scope of work, focusing on the firm’s proposed approach and tasks laid out to accomplish the scope of work. (25 points)
- 3) Fee Schedule (Cost): The actual fees proposed, including the reasonableness of rates, cost detail and effectiveness (given value of services to be obtained), and cost effectiveness (given experience and qualifications of firm and its personnel). (30 points)

After reviewing all proposals, CAEATFA management decided to hold interviews with the top three scoring proposers to obtain a better understanding of the firms’ qualifications and approach to the Scope of Work. After this process, CAEATFA determined that Frontier was the most qualified proposer.

Overview of Frontier Energy. Frontier Energy, Inc. is a newly formed firm that merges the capabilities of Bevilacqua-Knight, Inc. (BK_i), Davis Energy Group, and Fisher-Nickel, Inc. personnel and experience. As the prime Contractor, Frontier will be supported by subcontractor Richard Heath and Associates, Inc. (RHA), who will provide on-site compliance verification services, and assist in contractor training and Program design.

Frontier’s team possesses 35 years of experience supporting demand side management programs including residential energy efficiency financing programs. They have provided marketing, reporting, and contractor outreach and training services for programs dating from the State’s original experimental 2002-2005 Retrofit Home Performance Program under Energy Upgrade California and the current Regional Energy Networks. Frontier’s team also has long-standing relationships with home performance and HVAC contractors throughout California. As the subcontractor, RHA brings experience in conducting weatherization inspections and energy audits, as well as developing statewide energy standards for multiple programs.

Frontier was selected out of the five proposals by demonstrating its strong experience in implementing and improving energy programs in California, its ability to cultivate contractor networks and relationships, and its strategic approach to grow contractor participation and increase the number of projects under the REEL Program. As the Contractor Manager, Frontier will maintain a small team of in-office staff based in Los Angeles and Oakland, as well as contractor account managers and on-site inspectors available to provide statewide coverage.

Contract Terms. The initial Contract term will be through September 2019, after which CAEATFA may choose to execute a one-year extension at the discretion of the Executive Director (upon receipt of the requisite legislative budget approval), for a maximum Contract term of three years. The compensation amount shall not exceed \$1,500,000 for the term of the Contract, including any extensions.

The Authority will compensate the Contractor for services satisfactorily rendered, and upon receipt and approval of invoices pursuant to the approved Fee Schedule. Invoices shall be provided to CAEATFA monthly and in arrears. Costs will be controlled through task hours, and the length of term will mirror the Program’s authority provided by the CPUC.

Agenda Item – 4.E.

Recommendation. Staff recommends adoption of a resolution authorizing execution of a contract with Frontier Energy, Inc. as Contractor Manager for the Residential Energy Efficiency Loan (REEL) Assistance Program in an amount not to exceed \$1,500,000 over three years.

RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY AUTHORIZING THE EXECUTION OF A CONTRACT WITH FRONTIER ENERGY, INC. AS CONTRACTOR MANAGER FOR THE RESIDENTIAL ENERGY EFFICIENCY LOAN (REEL) ASSISTANCE PROGRAM

August 15, 2017

WHEREAS, the California Alternative Energy And Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Alternative Energy And Advanced Transportation Financing Authority Act (Division 16 (commencing with Section 26000) of the California Public Resources Code) (the “Act”);

WHEREAS, the Authority has determined it requires a contractor manager to assist it with administration of the Residential Energy Efficiency Loan (REEL) Assistance Program currently being administered within the territories of the California investor-owned utilities and authorized by the California Public Utilities Commission;

WHEREAS, the Authority has undergone a competitive process to identify an appropriate contractor to perform contractor manager functions, with knowledge of and experience with program administration; energy efficiency financing; marketing, education, and outreach campaigns; development and provision of contractor training; development and utilization of online application portals; compliance verification; and reporting;

NOW, THEREFORE, BE IT RESOLVED by the Authority, as follows:

Section 1. The Authority hereby authorizes the execution of a contract in an amount not to exceed \$1,500,000.00 to retain Frontier Energy, Inc. to provide contractor management services and other actions related thereto in connection with the Residential Energy Efficiency Loan (REEL) Assistance Program.

Section 2. The term of the contract will commence upon its execution and will continue through September, 2019 with an option for the Authority to extend for one additional year, unless earlier terminated by the Authority.

Section 3. The Chair of the Authority and Executive Director are hereby authorized for and on behalf of the Authority to obtain contractor management services, with the form and substance of said contracts to be reviewed and approved by legal counsel of the Authority.

Section 4. This resolution shall take effect immediately upon its approval.