



● **Board of Directors**
Water Planning and Stewardship Committee

3/14/2017 Board Meeting

8-3

Subject

Adopt CEQA determination and authorize a five-year agreement with Electric & Gas Industries Association to administer Metropolitan's consumer incentive programs

Executive Summary

This action seeks authorization of a five-year agreement with Electric & Gas Industries Association (EGIA) to administer Metropolitan's consumer incentive programs. These programs include incentives that encourage conservation and efficiency for residential, commercial, and industrial consumers. Incentives are also available to help consumers hook up to recycled water systems. The fees for EGIA's services will be paid from the funds that the Board authorizes for consumer incentive programs. For Metropolitan's residential and commercial programs, the fees would be no more than 9.5 percent of program budget. For the proposed Recycled Water Program, the fee would be no more than a flat amount of \$550 per application. For the Water Savings Incentive Program (WSIP), the fee would be no more than a flat amount of \$3,220 per application. For the Contractor Direct Rebate Program, fees would total no more than \$23,750 annually assuming 50 participating companies. If additional funds are authorized for the Turf Removal Program, the fee would be no more than a flat amount of \$350 per application. For your information, EGIA's cost proposal is included as **Attachment 1**. An agreement with EGIA has not yet been negotiated and would not exceed EGIA's proposal.

Details

Metropolitan provides incentive programs to encourage conservation and efficiency for consumers throughout the region with regional programs and member agency administered programs. Various elements of these programs target residential, commercial, and industrial consumers. Metropolitan also has programs that target conservation among public agencies and incentives for consumers that are interested in hooking up to recycled water systems. To help administer these regional incentive programs, Metropolitan uses the services of a vendor to manage the processing of consumer applications for rebates. These services include the many steps necessary to process rebate applications and pay the incentive dollars to consumers. The current vendor, EGIA, was selected through a competitive Request for Proposals (RFP) process in 2012.

EGIA's role is limited to processing rebates. Metropolitan uses different vendors for other services that support regional conservation efforts:

- Water awareness and conservation advertising services are managed by External Affairs and use the services of Quigley-Simpson & Heppelwhite Inc., selected through RFP 1089;
- California Friendly landscape training classes are provided through Green Media Creations, selected through RFP 1109;
- Large landscape survey/audit services are provided by WaterWise Consulting, selected through RFP 1106;
- Turf Removal Classes are provided by Green Media Creations, selected through RFP 1111; and
- New site inspection services are provided by WaterWise Consulting, selected through RFP 1107.

In addition to the items listed above, Metropolitan will also be contracting for services to provide landscape design assistance and a Request for Qualifications has been issued for this component of the program.

RFP For Services To Administer Consumer Incentive Programs

As EGIA's current contract is due to expire on June 30, 2017, in September 2016 staff issued an RFP requesting new proposals for the administration of the incentive programs. Staff worked to provide broad notification to potential respondents by sending RFP information to 3,475 firms. Of the firms notified, 28 firms downloaded the proposal package and 14 firms attended a pre-proposal conference held on September 20, 2016. EGIA was the sole respondent through this process. In reviewing why other firms may not have responded to the RFP, it became clear that previous respondents were either no longer in this line of business or had already successfully bid on other components of the program listed above.

EGIA is a nonprofit organization, recognized as a national leader in providing resource efficiency services, energy efficiency program administration, and rebates for utility and water agencies. EGIA also provides the home improvement industry with comprehensive consumer energy efficiency and solar financing solutions and has worked with the Department of Water Resources and other agencies on water conservation programs.

Metropolitan and member agency staff reviewed EGIA's proposal and determined that EGIA, the current vendor, is both qualified and responsive to the RFP. EGIA also has extensive experience in managing and implementing agency and utility programs and staff recommends approval of an agreement with EGIA to administer the consumer incentive programs.

Administration Costs

The cost proposal from EGIA for this five-year contract is attached as **Attachment 1** for reference. The cost of EGIA's administration is estimated at approximately 6.6 percent of Metropolitan's consumer incentive programs, and will be paid from the funds that the Board authorizes for consumer incentive programs. For example, assuming Metropolitan pays \$10 million in consumer incentives in a given year, then staff estimates EGIA's administrative fees would be approximately \$660,000. Actual administrative fees will vary with budgets and activity levels.

EGIA's cost proposal is consistent with their current contract and broken down by Metropolitan's various incentive programs. Based on EGIA's proposal: for Metropolitan's residential and commercial programs, the fees would be no more than 9.5 percent of program budget; for the proposed Recycled Water Program, the fee would be no more than a flat amount of \$550 per application; for the WSIP, the fee would be no more than a flat amount of \$3,220 per application; for the Contractor Direct Rebate Program, fees would total no more than \$23,750 annually assuming 50 participating companies; and if additional funds are authorized for the Turf Removal Program, the fee would be no more than a flat amount of \$350 per application. Because a new agreement with EGIA has not yet been negotiated, EGIA's proposal represents a maximum. The actual amount paid would vary in accordance with the funding authorized by Metropolitan's Board for these programs. Since the fees are based on the incentives funded by Metropolitan, any additional funding added by member agencies does not result in higher administrative fees. This serves to reduce the administrative cost of the program.

Staff has explored the potential of performing the work in-house, but has determined that it is not feasible or cost effective as an in-house program. Some of the challenges that would be difficult to overcome are the need for:

- A dedicated call center capable of handling a range of 2,500 to 18,000 calls per month,
- The ability to increase or decrease staff with short notice depending on program needs,
- Facilities, such as a more robust telephone system and specific floor space for the customer service representatives,
- Dedicated Information Technology staff to manage a real-time website and reporting,
- Additional accounting staff to manage member agency budgets,
- Staff to review and process applications and interactions with consumers for missing information, and
- Accounts payable staff to handle payments in the range of 4,000 to 20,000 per month.

Recent Audit Findings

A recent audit of the Turf Removal Program described internal control activities as being preventative or detective. The audit found the preventative controls to be reasonable, but found deficiencies in the detective controls. Metropolitan staff has identified new control measures in response to these findings and the applicable

changes have been implemented in the existing contract with EGIA. These changes will also be included in the new contract. The audit also made some observations about activities performed by EGIA that pertained to the aerial measurement and inspections conducted by EGIA. Staff's review of the findings determined that these discrepancies were related to the time period under review for the audit. EGIA had already performed the inspection services in question before the audit started, which is why they were not included in the period of the audit review. EGIA performed all of the services required under its contract.

In fact, EGIA provided exemplary service in responding to the significant increase in conservation program activity over the last few years.

Implementation

Staff will closely monitor EGIA's performance and pursue course corrections as needed. Since EGIA is currently administering Metropolitan's incentive programs, staff anticipates that there would be a smooth transition in services for fiscal year 2017/2018. Staff will continue to monitor program expenditures and make recommendations to the Board for any further program changes as necessary.

Policy

By Minute Item 50438, dated April 12, 2016, the Board approved the biennial budget for fiscal years 2016/17 and 2017/18

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA, because it involves other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not defined as a project and is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

Authorize a five-year agreement with Electric & Gas Industries Association to administer Metropolitan's consumer incentive programs, to be paid from funds the Board authorizes for Metropolitan's consumer incentive programs, in accordance with a cost schedule that will not exceed the proposal in

[Attachment 1](#) of the board letter.

Fiscal Impact: The cost of the contract is estimated at approximately 6.6 percent of Metropolitan's consumer incentive programs.

Business Analysis: EGIA is highly experienced in the administration of consumer incentive programs and it is not feasible for Metropolitan staff to administer the programs.

Option #2

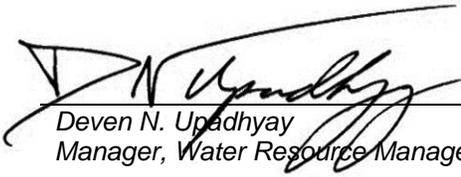
Do not authorize a five-year agreement with Electric & Gas Industries Association. Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and authorize an extension of one year to the current contract.

Fiscal Impact: Undetermined. EGIA's cost proposal covers an expected five-year contract and may not apply to a contract of a shorter duration. In any event, staff would negotiate the most favorable terms.

Business Analysis: An extension of the current contract would be necessary to allow staff to reissue the RFP, although additional companies may not submit proposals. Metropolitan's consumer incentive programs would continue to be processed by EGIA during the RFP process. It is not feasible for Metropolitan staff to administer the programs.

Staff Recommendation

Option #1


Deven N. Upadhyay
Manager, Water Resource Management

3/2/2017
Date


Jeffrey Kightlinger
General Manager

3/2/2017
Date

Attachment 1 – Electric & Gas Industries Association's Cost Proposal

Ref# wrm12645812

Electric & Gas Industries Association's Cost Proposal
Attachment D: COST PROPOSAL

Respondent shall submit a proposal on all Programs. Complete the information below.

Residential & Commercial Programs

Instruction: Enter % to be multiplied times the budget to calculate respondent fee proposal.

Cost Proposal for Residential and Commercial Programs	
Metropolitan's estimated annual budget for Residential and Commercial Programs (Do Not Change)	\$ 20,000,000
Proposed fees as a percentage of the budget amount*	9.5%
Respondent's Cost Proposal (Multiply percentage times \$20,000,000)*	\$ 1,900,000

**proposed fee shall be inclusive of all services required to administer program (e.g. database, website, reporting, etc.)*

Base rebates for individual devices (see Exhibit 3) may change at any time and variations may be significant. However, for your cost proposal submittal, assume no foreseeable changes to the base rebates on Exhibit 3.

While the fees are based on a % of the base rebate, Metropolitan will accept a minimum fee per device (below) for the Residential and Commercial Programs

Minimum fee per device	\$ 8.10
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Note: We interpret this to be minimum fee per funded application

Turf Removal Program

Instruction: Enter a flat amount to be charged per application based on the sq. ft. listed below

Cost Proposal for Turf Removal Program			
	<u>Flat Amount per Application*</u>	<u>Estimated Number of Applications, Annually (Do Not Change)</u>	<u>Annual Total*</u>
Turf Removal Square Footage			
Applications for 250-5,000 sq. ft. Assume 400 applications annually	\$ 175	400	\$ 70,000
Applications for 5,001 sq. ft. or greater. Assume 100 applications annually	\$ 350	100	\$ 35,000
Total (add shaded cells):			\$ 105,000

**proposed fee shall be inclusive of all services required to administer program (e.g. database, website, reporting, etc.)*

Recycled Water Program

Proposed budget for this program will be \$10,000,000 (total, not annually). Assume 100 applications annually.

Cost Proposal for Recycled Water On-Site Retrofit Program			
	<u>Flat Amount per Application*</u>	<u>Estimated Number of Applications, Annually (Do Not Change)</u>	<u>Annual Total*</u>
Each Application	\$ 550	100	\$ 55,000

**proposed fee shall be inclusive of all services required to administer program (e.g. database, website, reporting, etc.)*

Contractor Direct Rebate Program

Assume 50 companies annually.

Cost Proposal for Contractor Direct Rebate Program			
Online Enrollment Process- start-up (one-time cost)	\$ 12,500		
Contractor Enrollment (per company, assume 50 companies annually)	Unit Cost	Estimated Number of Companies, Annually (Do Not Change)	Annual Total
1st Year Enrollment	\$ 120	50	\$ 6,000
Annual Renewal	\$ 90	50	\$ 4,500
Background Check Screening (per company Principle)	\$ 85	50	\$ 4,250
Monthly administration & reporting	Monthly Cost	Number of Months	\$ 9,000
	\$ 750	12	
Total (add shaded cells):			\$ 23,750

Water Savings Incentive Program (WSIP)

Proposed budget for this program will be approximately \$10,000,000 (total, not annually). Assume 30 applications annually. The Cost Proposal will have two components:

1. A Cost Per Application to complete all tasks from application receipt through payment of non-monitored project incentives or initial payments of monitored projects (steps 1 through 14m. / 15 on WSIP process flowchart in section 2.2.8.5). This would also include projects that have been analyzed, but not approved by Metropolitan for funding.
2. A Cost Per Application to complete all tasks for Monitored Projects from analyses of water savings through final incentive payments and verification of cashed checks (steps 15m. through 17m. on WSIP process flowchart in section 2.2.8.5).

Cost Proposal for WSIP Program			
<i>Processing Steps</i>	Flat Amount per Application*	Estimated Number of Applications, Annually (Do Not Change)	Annual Total*
Steps 1 through 14m. / 15 on WSIP process flowchart*	\$ 1,870	30	\$ 56,100
Steps 15m. through 17m. on WSIP process flowchart*	\$ 1,350	30	\$ 40,500
Total (add shaded cells):			\$ 96,600

*proposed fee shall be inclusive of all services required to administer program (e.g. database, website, reporting, etc.)