

Illinois Energy Association (“IEA”)

REQUEST FOR PROPOSAL

for an

EVALUATION CONTRACTOR

for

Illinois Utilities’ On-Bill Financing Residential Energy Efficiency Loan Program



Illinois Energy Association (“IEA”)

Illinois Utilities’ On-Bill Financing Residential Energy Efficiency Loan Program (“Program”):

REQUEST for PROPOSALS (“RFP”) for PROGRAM EVALUATOR

1. Program Background & Evaluator Request for Proposals

1.1. Program Introduction & Origins. In its 2009 session, the Illinois legislature passed Senate Bill 1918 which created new Sections 16-111.7 and 19-140 of the Public Utilities Act (collectively the “Act”).¹ These Sections mandated that all large electric and gas utilities in Illinois design and implement an “on-bill financing” (“OBF”) program to finance energy efficiency (“EE”) projects primarily for residential sector customers (the “Program”). The subject utilities are Ameren Illinois Company (“AIC”), Commonwealth Edison (“ComEd”), Peoples Gas/North Shore Gas and Nicor Gas (together the “Utilities”).

Program Design Documents & Illinois Commerce Commission Orders. Pursuant to the Act, the Utilities submitted OBF Program Design Documents (“PDDs”) to the Illinois Commerce Commission (“ICC” or “Commission”) in February, 2010. Subsequently, the Commission approved these Program designs, with certain modifications, as reflected and made effective via Commission Orders 10-0091(ComEd), 10-0095 (Ameren), 10-0090 (Peoples Gas/North Shore Gas) and 10-0096 (Nicor) issued June 2, 2010 (singularly for each Utility, an “Order” and together the “Orders”).²

Financial Institution Request for Proposal Process. Following promulgation of the Orders, and as prescribed in the Act, the Utilities conducted a financial institution (“FI”) request for proposal process which resulted in selection for contract negotiations of a single FI partner, AFC First Finance Corporation (“AFC”) in early 2011. The FI request for proposal process was conducted by the Illinois Energy Association (“IEA”) on behalf of the four Utilities and working in full consultation with the Utility OBF Working Group.

Program Service Agreements with Financial Institution Partner. Following selection of AFC, each Utility individually negotiated a Program Services Agreement with AFC (“PSA”). The terms of each Utility PSA have been harmonized as much as possible, but some variations customized for each Utility were necessary.

Program Status. The status of each Utility’s OBF Program was summarized for the ICC in a status reports provided October, 2011.³

Program Evaluation. On October 19, 2011, the ICC adopted an Order initiating a formal proceeding to address the Program’s evaluation. An ICC Staff Report dated October 7, 2011 provided the

¹ The full text of SB 1918 ((220 ILCS 5/) Public Utilities Act, Sec. 16-111.7) can be found via this link: <http://www.ilga.gov/legislation/ilcs/ilcs5.asp?ActID=1277&ChapAct=220%26nbsp%3BILCS%26nbsp%3B5%2F&ChapterID=23&ChapterName=UTILITIES&ActName=Public+Utilities+Act%2E>

² The PDDs and the Orders for each Utility are part of the Program background documents which the Evaluator will be responsible to review and are public documents available on request.

³ These status reports are also included in the Program background documents.

basis for this Initiating Order; the Staff Report is included in the Program Background documents attached as Annex D.⁴ The Commission has stated a preference for a single Evaluator for the Program working with all Utilities so as to best achieve a common evaluation methodology and set of evaluation criteria and also simplify management of and economize on costs for the evaluation process for all parties. The Utilities agree that having a single Evaluator is the best approach and is most consistent with the objective of having a common evaluation methodology. While the final Program evaluation report is not due to be completed until the fourth anniversary of the Program start, the Utilities and the Commission all agree to proceed with procurement and contract with an Evaluator as soon as possible, establish the agreed evaluation plan and collect data for the evaluation during Program operations in an effort to achieve the best evaluation results. The requirements of the Program evaluation are discussed in Section 2, below. For further background and ease of reference, unofficial excerpts from the Act and from the ComEd Order pertaining to Program evaluation are attached hereto as Annex A. The Programs can continue operations during the evaluation period.

1.2. Evaluator Request for Proposal & Contract. The Illinois Energy Association (“IEA”) is conducting this RFP process acting on behalf of and coordinating with the Utilities jointly. Through this RFP process, one (or possibly more) prospective Evaluator(s) will be selected for contract negotiations. The resulting contract will be between the selected Evaluator and the IEA. The IEA works in full consultation with the Utility OBF Working Group which includes multiple representatives of each Utility covering EE and demand side management (“DSM”), customer service, billing and collections, information management, legal and other departments.

The selected Evaluator will be asked to provide the following services:

- review all relevant Program background information and, including through interviews with relevant parties, become thoroughly familiar with Program requirements, design, methods and issues;
- rapidly develop a draft recommended Evaluation Plan consistent with the Orders and the Act; this includes advising on data collection needs, standard evaluation methodology and evaluation criteria and metrics; the Evaluation Plan must also include Utility-specific components to reflect and accommodate the differences amongst the Utility OBF Programs;
- participate in the review process of the draft Evaluation Plan with the Utilities, the ICC and stakeholders, and, following this review, prepare the final Evaluation Plan;
- conduct the evaluation and related research, as per the Evaluation Plan, and conduct semi-annual internal interim reviews with the Utilities on the same;
- prepare the final Evaluation Report not later than one year after the third anniversary of Program operations; this involves reviewing and assessing Program data, soliciting feedback from participants and interested stakeholders, making qualitative assessments of the Program, potential topics for which are indicated below, and providing recommendations;
- participate in further evaluation discussions or workshops convened by the ICC;
- other additional services which may be defined in negotiations.

⁴ The Docket number for this proceeding is 11-0689. The link to eDocket is <http://www.icc.illinois.gov/e-docket/> Select Browse a Docket and enter the number. The next status hearing is January 9, 2012 at 10am.

This RFP provides:

- Program background, (Section 1),
- description of Program evaluation requirements, data collection needs and Evaluator scope of work, (Section 2),
- prescribed format and content for proposals in response to this RFP, (Section 3), and
- description of the RFP process that will lead to selection of the Evaluator and negotiation and execution of a contract to provide the evaluation services, (Section 4).

Proposals should be prepared according to the format and with the content specified in Section 3, below. Selection of an Evaluator will be a *selection for negotiation*. The parties (the IEA with the Utility OBF Working Group) will proceed to negotiate and execute the evaluation services contract. The Utilities have established a budget cap of \$200,000 for all Program evaluation services. Proposers are asked to indicate their evaluation methodology, approach and pricing proposal consistent with this budget level of effort. Recognizing that the level of effort required to conduct the evaluation is in part a function of Program volume, participation rates and success subscribing its lending targets, the Utilities can consider increasing this budget cap as Program operations proceed.

1.3. Further Program Background & Lending Structure. The OBF Program has been mandated by the Illinois General Assembly to promote energy efficiency (EE), save energy and energy costs for customers, and allow Utility customers to borrow funds from a third party lender to purchase EE measures approved under the Program with no required initial upfront payment, and to pay the cost of those products and services over time on their Utility bill. The OBF Program is also complementary to DSM and EE programs which the Utilities have underway. All the Utilities have either DSM and/or EE plans approved by the Commission in implementation. This section summarizes the main elements of OBF Program design which derive from the Act.

Target Lending Amounts. For the Program, the lending amount outstanding at any time for each Utility, as prescribed in the Act, may not exceed \$2.5 million. So, in aggregate, total Program lending authorized at present is up to \$12.5 million (5 Utilities multiplied by \$2.5 million each, with AIC counting as two utilities). The Utilities individually can make a request to the Commission to expand their Program size.

Target Sectors & Customers. The Program targets the residential sector: single family and multi-family up to four units, or condominiums at which the electric or gas service is being provided. Multi-family housing with greater than 4 units are not eligible. Customers/borrowers must be property owners and owner-occupants. Although renters are not eligible, rental property is eligible where the property owner is the account holder and borrower. Utilities are not required to address the small commercial sector; however, Utilities are permitted to include small commercial customers as defined in the Act in their Program, or may elect to add or address the commercial sector at a later date as Program experience is gained; Nicor maintains a small commercial sector option for its Program presently.⁵ Customers that purchase energy through open access arrangements whereby the Utility is only the energy distributor are also eligible.

Eligible Measures & No Up-Front Customer Payment. Many types of EE measures may be financed. The Utilities will be responsible for publishing their respective lists of approved EE measures. These lists are determined and vary by Utility. The Act requires that no customer upfront payment shall

⁵ "Small commercial customer" means a non-residential retail customer of a natural gas utility who consumed 5,000 or fewer therms of natural gas and those nonresidential retail customers of an electric utility consuming 15,000 kilowatt-hours or less of electricity annually in its service area.

be required to participate in the Program; customers shall be able to make payments to amortize the cost of the EE measures over time, with payments on the Utility bill.

The Act further requires that EE measures financed through the OBF Program must satisfy the statutory eligibility criteria, which includes the requirement that the measures have estimated energy cost savings sufficient to cover the customer's cost of measures including finance charges. This criterion is applied prospectively using a useful life savings ("ULS") analysis which is defined such that cumulative estimated energy cost savings must exceed the borrower/customer's net cost for the EE measures, with finance charges, over the useful life of the measure. The total installed EE measure cost can be offset by Utility or other incentives or rebates. Customers may also receive federal income tax rebates for the installed measures. Total measure costs minus the applicable rebates equals the Customer's net capital cost. The Utilities and/or Vendors provide information to AFC to confirm that EE projects meet the eligibility criterion; using this information, the Lender is responsible to assure that eligibility criteria are met. This is the eligibility criterion that has been amended for the electric Utilities only via the 2011 legislation discussed immediately below.

Recent Legislation Amending Definition of Eligible Measures. In its 2011 veto session, the Illinois legislature passed (overriding a Governor's veto) an amendment to the Act which redefines eligible energy efficiency measures which can be financed via the Program; this amendment applies to the electric Utilities only. A measure is now eligible for Program financing provided:

"...(C) the measure is included in a Commission-approved energy efficiency and demand-response plan under Section 8-103 of this Act and is cost-effective as defined by that Section."

This amendment is expected to increase the number of eligible electric measures and result in great loan demand under the Program. It further increases the value of the Program to the electric Utilities as a means to achieve their energy efficiency and demand side management resource acquisition targets.

Lending Structure. The Act prescribes many elements of the Program lending structure, which is also detailed in the PSAs between each Utility and AFC. Main elements of the lending structure are as follows.

- Loans ("Loans") are made by the FI partner (AFC) to the eligible borrowers, with collections of finance payments on the Utility bill.
- The Program will be marketed by vendors, the Utilities and AFC. Vendors will market the Loans at the point of sale with customers.
- AFC conducts the credit analysis using the underwriting criteria as agreed with the Utility and approved by the ICC. The Act provides that the Utilities are responsible to establish Loan underwriting guidelines, subject to approval of the Commission. The agreed underwriting criteria and other Loan origination procedures are addressed in the PSAs between each Utility and AFC.⁶
- The Utility aggregates all Loan payments from customers and make an aggregated payment monthly to the FI partner; this process varies slightly amongst the Utilities to accommodate their different billing and collections procedures and systems. The flow of funds is defined in the Program Services Agreements ("PSAs") between each Utility and AFC.
- The Utility remits repayment of all Loans to AFC. Customers' obligations to pay the Loan payments are treated commensurate with the obligation to pay the Utility bill. In the event of

⁶ Please note that, in the Orders, the Commission urges the Utilities and FI partner to use "more inclusive credit worthiness standards" that will broaden access to financing to consumers who might not have qualified under traditional credit standards.

non-payment, the Utility may suspend Utility service, under existing established collections procedures. The Utility is responsible for recovery actions in default events and has an option to make a Deferred Payment Arrangement with customers that have accrued past due payments. The Utility can recover any ultimate losses due to default or non-payment through its tariff bad debt rider, identical to their normal bad debts cost recovery method. This structure essentially allows AFC to originate and price the Loans based on the Utilities' credit and has resulted in a lower interest rate.

- Utility may obtain a security interest in equipment (UCC filing) where this is deemed both prudent to mitigate loss/default risks and cost-effective.
- Loan tenors of up to 10 years are allowed. The interest rate on loans is the same for all loan tenors. Loans are arranged prior to installation of the measures and the disbursement of funds is made following complete installation of the measures, accepted by the customer. Loan sizes vary from a minimum of \$500 up to \$20,000.
- AFC's compensation for providing the Program financial services is not borne by borrowers but is paid by the Utilities directly and treated by the Utilities as Program costs, recoverable through other tariff riders.

Vendor & Contractor Network. The Utilities are responsible to develop a Vendor network to provide marketing and turnkey development and implementation of EE projects as part of the Program. Some Utilities have already established Vendor networks of EE service and equipment contractors in place to market and implement their existing EE/DSM programs. These will be drawn upon and augmented for this Program. AFC also is developing a vendor/contractor network in coordination with the Utilities. Utilities will be consulted on qualification standards for participating Vendors.⁷

1.4. Initial Program Background Documents. The following Program documents are in the public domain and are provided in the .zip file distributed with and referenced as Annex D of this RFP.

- a) the Act
- b) 2011 Amendment to the Act concerning Eligible Measures
- c) Program Design Documents for each Utility, dated February 2010
- d) ICC Orders for the Program for each Utility, dated June 2010
- e) Financial Institution RFP dated August 5, 2010
- f) Utility OBF Status update(s) filed with the ICC, October 2011
- g) ICC Staff Report on OBF Evaluation dated October 7, 2011

Proposers are encouraged to review these documents in the process of preparing their proposals. These documents constitute the initial set of materials which the selected Evaluator will be responsible for reviewing. Additional relevant documents, including the Utility/AFC PSAs and customer marketing literature and website presentations, will also be identified for review as part of the Evaluator scope of work.

2. OBF Program Evaluator Scope of Work & Contract

2.1. Evaluation Plan, Requirements & Schedule. The Evaluation Plan must comply with the ICC Orders for each Utility. The Orders derive from the Act and the ICC and stakeholders' review of each Utility's original OBF Program Design Document. A uniform system and common metrics for evaluation are required across the Utilities; standard evaluation methodology and evaluation criteria need to be developed. Once the Utilities contract with an Evaluator, the Evaluator will prepare a recommended

⁷ ComEd, presently, has one approved measure, efficient refrigerators, and one approved vendor, Sears.

Evaluation Plan which in turn and will be subject to an expedited comment and review process by the Commission and stakeholders.

The Commission has requested a single Evaluator and the Utilities have agreed that having a single Evaluator is the best approach. The best results from an evaluation process are obtained if the Evaluator is involved early to ensure that the required data is collected. Once selected, the Evaluator's first task will be to prepare a recommended Evaluation Plan which will then be subject to Commission and stakeholder review, a process which could take several months. Utilities are currently collecting data relative to the loan application and processing as well as information on the efficiency measures installed. While the final schedule for the Evaluator procurement and evaluation process has yet to be decided, the key steps are:

- i. Utilities conduct Evaluator RFP process, complete procurement and selection and then contract with the Evaluator.
- ii. Evaluator prepares draft recommended Evaluation Plan.
- iii. Evaluation Plan is reviewed by ICC and stakeholders and then finalized.

The schedule, still to be finalized, for these steps is estimated as follows.

| <i>Evaluator Procurement</i> | |
|---|-----------------------|
| <u>Action</u> | <u>Estimated Date</u> |
| 1. Initiating Order from the ICC regarding the OBF evaluation | October 19, 2011 |
| 2. RFP issued by IEA | January 12, 2012 |
| 3. Proposals Due | February 29, 2012 |
| 4. Selection for Contract Negotiation | March 23, 2012 |
| 5. Contract execution | April 20, 2012 |

| <i>Preparation of Evaluation Plan, Main Steps</i> | |
|--|-------------------------------------|
| <u>Action</u> | <u>Target Date</u> |
| 1. Preparation of Draft Evaluation Plan by Evaluator | June 15, 2012 |
| 2. Evaluation Plan submitted to ICC by IEA | July, 2012 |
| 3. Evaluation Plan review process by ICC, stakeholders & utilities | July, 2012 forward |
| 4. Evaluation Plan finalized | October, 2012, date t.b.d. with ICC |

As per the Act, the evaluation shall be conducted after three years of the Program's operation and the evaluation report must be completed by the Program's fourth anniversary. Program operations shall be deemed to have started June 30, 2011 for all Utilities.

There are important differences between each Utility's OBF Program, e.g., on Eligible Measures. Acknowledging these, the evaluation report will still be singular, that is, one report covering the OBF Program for all utilities and with a section covering the specifics of each Utility Program. If a Utility has fully subscribed its financing capacity early, it may use information provided in the internal interim evaluation reviews to inform and justify decisions concerning the Program's future operations and/or possible expansion.

2.2. Topics to be Addressed in the Evaluation. Some evaluation topics are prescribed in the Act and others will be defined during development of the Evaluation Plan. Potential topics include:

- a. assessment of Program effectiveness,
- b. effectiveness of installed measures and criteria for Eligible Measures,
- c. customer eligibility and loan underwriting criteria,

- d. whether or not Program should be expanded and under what conditions or with what improvements/modifications,
- e. ability of OBF to serve Utility EE/DSM acquisition goals,
- f. whether and how to apply OBF to customer sectors beyond residential,
- g. whether or not a “lien-at-the-meter” option for the OBF loans should be used in the future,
- h. reasons for approved applicants’ withdrawal from the Program.

Proposers are asked to provide their thoughts on approach and key issues to address in the Evaluation Plan in their proposals. The selected Evaluator will provide a recommended approach and set of issues to address in the draft Evaluation Plan.

2.3. Evaluation Data Needs & Data Collection Plan. The Evaluator, once chosen, will develop a data collection plan as part of the recommended Evaluation Plan, including identification of data requirements and methods of data collection. Until that plan is developed and implemented, the Utilities and AFC will collect data for the evaluation, including the information that may be required to evaluate the effects of the measure and the customer eligibility criteria. The following describes our current approach to data collection.

a) First, data collection has begun. The Utilities and AFC are collecting data as measures are implemented by customers. The application and loan processing are relatively standard across the utilities. Energy measure data will vary some depending on the measure. The Evaluator, once chosen, will have every opportunity to upgrade and participate in the data collections.

b) The Evaluator will review data collected by the Utilities and AFC and will also define and solicit participant and stakeholder feedback directly. Evaluator will solicit feedback from a statistically valid sample of customer participants and also prospective customers who either (i) declined to apply, or (ii) withdrew applications. Evaluator will also solicit feedback from interested stakeholders; the list of stakeholders will be determined in consultation with the Utilities and is expected to include those organizations which have been party to ICC OBF proceedings and dockets to date. Methods for soliciting feedback will be detailed in the Evaluation Plan.

c) The data being collected by AFC includes data on the application process including when the application changes status as it moves through the underwriting process. The status categories of a given application are either pending, approved, funded, declined or withdrawn. AFC is also tracking the basis for approving or declining a loan and may include credit score, debt to income ratio, delinquent payment history and bankruptcy within the past 7 years. Underwriting guidelines vary by Utility. Once a loan is approved, AFC will also be collecting information specific to the efficiency measure or measures to be funded including installed cost, manufacturer, model and efficiency rating when applicable.

d) Data will be collected on financial, customer payment performance and energy savings aspects of the Program. As part of its services, AFC will collect data regarding lending activity, including, for example: numbers of applications, approvals, prospective approved customers who withdrew and declined to close a loan, and booked loans; reasons for rejection; customer service matters; approval times; and, loan amounts and tenors. Recommendations on Program improvement and expansion will also be requested. AFC is also obligated as part of its services to participate in Program evaluation including stakeholder workshops convened by the Commission.

e) Utility data collection will vary depending on the measure and whether or not internal data is collected related to the customers account status at the time of the application. For example, ComEd will be collecting information on the old refrigerator collected from the customer as part of the

purchase of the new refrigerator. ComEd will also be collecting customer account information around the time of the application.

2.4. Summary Evaluator Scope of Work. Based on the above, the scope of work for the Evaluator is summarized below. The Evaluator will perform the following tasks.

a) *Background Review*. Become thoroughly familiar with all Program background documents, Program requirements, Program design, Program methods and issues. This will be done via desk review of all Program documents, including the Utility/AFC PSAs, and conducting structured interviews with Program participants and stakeholders.

b) *Draft Evaluation Plan*. Prepare a draft recommended Evaluation Plan consistent with the Orders and the Act and other relevant formal documents. The Evaluation Plan will include:

- data collection needs and data collection plan,
- standard evaluation methodology and evaluation criteria and metrics,
- outline of and plan to accommodate Utility-specific Program components,
- description of issues to be addressed in the evaluation report,
- estimated timeline for conducting the evaluation and meeting the schedule needs of the parties.

Important Note: The draft Evaluation Plan will be provided within eight [8] weeks following execution of the Evaluation Services Agreement between the Evaluator and the IEA. This tight schedule is needed to meet the requirement that the Evaluation Plan be finalized through the ICC and stakeholder review process within six months of the Evaluator contract date.

c) *Finalize Evaluation Plan*. Participate in the review process of the draft Evaluation Plan with the Utilities, the ICC and stakeholders, and, following this review, prepare the final Evaluation Plan.

d) *Conduct the Evaluation & Related Research*. Over the course of Program operations, conduct the evaluation, as per the Evaluation Plan. This includes monitoring Program operations and issues, reviewing and assessing Program data, conducting participant and stakeholder interviews, and vetting prospective qualitative assessments of the Program with the parties.

e) *Internal Interim Reviews with the Utilities*. Present to and discuss with the Utilities interim reviews of evaluation work semi-annually, starting with the first anniversary following contract execution, and summarizing evaluation activities, findings and research to date and providing any interim or test observations, assessments and recommendations for Program effectiveness and improvements.

f) *Prepare Evaluation Report(s)*. At the designated time, prepare the Evaluation Report. The draft Evaluation Report shall be presented to the Utilities for review at least three months prior to its final due date. This includes summarizing and analyzing the data and interview results, addressing the agreed set of evaluation topics, making qualitative assessments of the Program and providing recommendations.

g) *Follow up and Other Services*. Participate in further evaluation discussions or workshops convened by the ICC to review the Evaluation Report and provide other additional services which may be defined in negotiations.

- h) *Summary Written Deliverables*. Provide written deliverables including the following. :
- Draft Evaluation Plan

- Final Evaluation Plan
- Memoranda supporting Internal Interim Reviews
- Final Evaluation Report
- Other memoranda as requested by the IEA

The Utilities intend that the Evaluation Report be singular, that is, one report covering the OBF Program for all utilities but with a section covering the specifics of each Utility Program. There are important differences between each Utility's OBF Program, e.g., on Eligible Measures. Acknowledging these, the evaluation report will still be singular, that is, one report covering the OBF Program for all utilities and with a section covering the specifics of each Utility Program. If a Utility has fully subscribed its financing capacity early, it may use information provided in interim evaluation reports to inform and justify decisions concerning the Program's future operations and/or possible expansion.

2.5. Evaluation Services Contract. The selected proposer will negotiate an Evaluation Services Contract with the IEA following the award for contract negotiations. A draft form contract is attached as Annex C.

3. Prescribed Format and Content for Proposals in Response to this RFP

3.1. Form of Proposals. These instructions prescribe the formal and general content for proposals. Proposals should contain the following elements.

- Cover letter, signed by a senior officer of the proposer capable of binding your firm to the proposed work scope, budget and rates; the cover letter must confirm that the information in the proposal is accurate; and that the proposal is valid for at least 120 days from the RFP closing date.
- Proposal, addressing the points including the budget and fee proposal outlined in Section 3.2, below.

3.2. Proposal Outline & Contents. This section outlines prescribed contents of proposals. Please organize proposals according to this outline and address the points described below. Responders are asked to be creative in their proposals, addressing and suggesting trade-offs, submitting multiple options where reasonable, and suggesting ranges, all aimed at achieving the fundamental goals of the evaluation.

3.2.1. *Qualifications & Experience, Officers and Staffing, Staffing Plan*. Please summarize your organization's qualifications and experience to undertake this evaluation, including prior experience with utility EE and DSM program evaluation and specifically your experience in the EE lending field including on-bill financing or on-bill repayment programs. Please provide brief summary description of relevant prior projects and work performed.

Please indicate the names of the individuals who will play the following roles:

- Program Manager, headquarters, lead officer responsible for this work who will provide the lead and primary point of contact for the evaluation work;
- Staff, including legal, engineering, evaluation and other; and
- Senior Manager/Officer who will negotiate and execute the contract on behalf of your organization and be available if and as needed to discuss policy matters and provide leadership.

Please provide a staffing plan, indicating roles of each individual, and provide a brief resume for each of the key staff to be involved in delivering services for the evaluation.

Please note that teaming is encouraged. Proposers can team with other organizations to develop and conduct the evaluation. In such cases, please provide similar information on experience and qualifications of companies and the specific individuals involved in a teaming arrangement.

3.2.2. *References*. Please provide three references with contact information to parties/clients (excluding the Utilities) with whom your organization has provided the most relevant similar services and provide a brief description of the services provided. Please separately provide references to each Utility with which the proposer has worked, as applicable.

3.2.3. *Summary Evaluation Approach*. Please provide a summary description of the approach to be taken to the evaluation. Specifically, please

- Provide a commentary on the scope of work as discussed in Section 2, above, including
 - Background review
 - Topics to be addressed in the evaluation
 - Draft Evaluation Plan
 - Data plan and data collection by Utilities and AFC

- Primary data collection and interviews to be conducted by the Evaluator
 - ICC and stakeholder liaison and communications
- Confirm ability to deliver the draft Evaluation Plan within the timeframe designated in Section 2.4, above.

3.2.4. *Rates and Budget Approach.* This contract is expected to be let on a time and expenses basis but subject to a hard budget cap. The Utilities have established a budget cap of \$200,000 for all Program evaluation services. Proposers are asked to indicate their evaluation methodology, approach and pricing proposal consistent with this budget level of effort. Proposers are invited to comment on the adequacy of this budget and indicate if or circumstances under which additional evaluation budget resources may be justified. Please provide:

- rates by staff person or category on hourly and daily basis, and
- budget (by days and dollars) for the Evaluation broken down by the tasks as defined in Section 2.4, above
 - Background review
 - Draft Evaluation Plan
 - Finalize Evaluation Plan
 - Conduct Evaluation Research
 - Interim reviews
 - Prepare draft and final Evaluation Report (assume this is singular)
 - Follow up
 - Contingency and explanation of contingency factors.
- narrative description of approach to managing the evaluation budget consistent with the above and the total budget cap; specifically address sufficiency of budget and how budget management will allow proposer to provide services throughout the evaluation period and to manage contingencies.

3.2.5. *Additional Statements & Materials.* Please feel free to add additional statements, ideas and materials that demonstrate your understanding of the Program and evaluation goals.

3.2.6. *Contract Terms & Conditions.* Please provide comments on the draft form contract provided as Annex D, indicating acceptance and identifying any terms and conditions which the proposer is concerned about and will seek to negotiate.

4. RFP Process

4.1. RFP Schedule. Key steps and schedule for the RFP process are as follows:

| RFP Schedule Event | Date |
|--|-------------------|
| RFP Issued by Illinois Energy Association on behalf of the Utilities | January 12, 2012 |
| Proposers Conference (convene by meeting & phone) | February 2, 2012 |
| Submission of Notice of Intent to Propose | February 9, 2012 |
| Final Day for Proposers to Submit Questions to the IEA | February 13, 2012 |
| IEA provides written answers to final questions | February 17, 2012 |
| Proposals Due | February 29, 2012 |
| Evaluation Period | March 1-22, 2012 |
| Proposer(s) selected by the Utilities for Negotiations | March 23, 2012 |
| Contract negotiation | March-April, 2012 |
| Target date to complete Evaluation Services Agreement | April 20, 2012 |

These dates are subject to change by the IEA, which will notify all proposers that have submitted a Notice of Intent to Propose of any changes.

4.2. Notice of Intent to Propose. Prospective evaluators intending to make a proposal responding to this RFP must submit a Notice of Intent to Propose letter to IEA, at the contact indicated below, by _____, 2012.

4.3. Proposers Conference. A proposers conference will be held on _____, 2012 at 10 AM Central Standard Time. The proposers conference will be convene both in person by meeting in Chicago and by teleconference where questions will be addressed. Questions from this meeting will be handled in the same manner as listed in Section 4.4 below. Venue for the proposers conference meeting is: _____ . [NOTE: Determine meeting location.]

4.4. Questions & Answers and RFP Addenda. Questions and answers will be handled in writing and distributed to all proposers submitting a Notice of Intent to Propose. Proposers will be allowed to submit written questions and requests for additional information until _____, 2012. Questions and requests submitted by fax and/or e-mail will be accepted, in addition to those received by postal delivery. All questions received by the IEA will be answered in writing and answers returned to all proposers. Anonymity of the source of specific questions will be maintained in the written answers. Any written questions shall be submitted to IEA at the contact coordinates specified below for the receipt of proposals. Questions submitted by fax and/or e-mail will be accepted. IEA may modify this RFP prior to the date fixed for submission of proposal by issuance of an addendum to all proposers which have submitted the Notice of Intent to Propose. Addenda will be numbered consecutively, the first being A-1.

4.5. Submission of Proposals: Instructions & Point of Contact. Proposals will be due no later than 3:00 p.m. Central Time on _____, 2012. Proposers may submit their proposals electronically and/or in hard copy. Proposals shall be addressed and delivered to, and the official contact for IEA shall be:

Jim Monk, President
Illinois Energy Association
1 West Old State Capital Plaza, Suite 509
Springfield, IL 62701
phone: (217) 523-7348
fax: (217) 523-0643
e-mail: jmonk@ilenergyassn.org

In the absence of Jim Monk, inquiries may be also directed to John MacLean, Energy Efficiency Finance Corp., financial advisor to the IEA, at phone 360-339-3936 and e-mail jmaclean@eefinance.net.

Verbal communications with IEA are encouraged but shall not be binding on IEA and shall in no way modify this RFP or excuse proposers from the requirements set forth in the RFP. Such modifications shall only be made in writing through RFP addenda as indicated above.

IEA's selection of a prospective Evaluator(s) pursuant to this RFP process does not mean that IEA accepts all aspects of the given proposal, modifications to which may be requested and agreed to during contract negotiations. Costs for preparing proposals are entirely the responsibility of each proposer and shall not be chargeable to IEA.

4.6. Evaluation Committee & Procedures. The IEA will form an Evaluation Committee with representation from all of the Utilities. Proposals will be reviewed and evaluated by the Evaluation

Committee members and consultants. The IEA will represent the Evaluation Committee and be the single point of contact for proposers in the evaluation and RFP process. IEA reserves the right to accept or reject any proposal that, in the sole opinion of IEA, does not fully reflect the objectives of this OBF Program. IEA also reserves the right to select one or more proposers for negotiations, although selection of a single proposer for negotiations is contemplated.

4.7. Evaluation Criteria. The Evaluation Committee will evaluate proposals qualitatively according to the following criteria.

4.7.1. *Firm Qualifications & Experience.* Firm experience and qualifications in similar programs including utility EE/DSM program design, implementation and evaluation and in EE lending, including similar on-bill financing or repayment programs.

4.7.2. *Firm Size & Stability.* Overall size, dependability and reputation of the firm and demonstrated ability to manage and meet deadlines in similar assignments.

4.7.3. *Staffing Plan.* Skills of specific staff proposed. Reasonableness and completeness of staffing team.

4.7.4. *Approach to Evaluation.* Demonstrated understanding of goals of the Program and the evaluation. Ability to manage relationships with multiple client parties, and deal appropriately with Program participants, customers, Commission and stakeholders.

4.7.5. *Fee Proposal and Budget.* Reasonableness of staffing rates. Thoroughness of evaluation budget proposal, approach to meeting budget cap and managing contingencies.

An evaluation worksheet is attached as Annex B. IEA will select proposer(s) with which to proceed to negotiations.

4.8. Selection & Post Selection Steps to Negotiate an Agreement. Following selection of proposer(s) with whom to negotiate, IEA proposes to proceed immediately to negotiate the Evaluation Services Contract using the form contract attached as Annex D to start.

Annexes:

- A. Unofficial Excerpts from the Act and the ComEd Order concerning Program Evaluation
- B. Proposal Evaluation Scoring Sheet
- C. Draft Form Evaluation Services Contract [NOTE: Under development and to be provided.]
- D. Program Background Documents (attached in separate .zip file)

Annex A:

Unofficial Excerpts from the Act and the ComEd Order concerning Program Evaluation

Excerpts from SB 1918, Act on 220 ILCS 5/16-111.7 new, Subsection on Evaluation

18 Sec. 16-111.7. On-bill financing program; electric
19 utilities.

26 (g) An independent evaluation of a program shall be
1 conducted after 3 years of the program's operation. The
2 electric utility shall retain an independent evaluator who
3 shall evaluate the effects of the measures installed under the
4 program and the overall operation of the program, including but
5 not limited to customer eligibility criteria and whether the
6 payment obligation for permanent electric energy efficiency
7 measures that will continue to provide benefits of energy
8 savings should attach to the meter location. As part of the
9 evaluation process, the evaluator shall also solicit feedback
10 from participants and interested stakeholders. The evaluator
11 shall issue a report to the Commission on its findings no later
12 than 4 years after the date on which the program commenced, and
13 the Commission shall issue a report to the Governor and General
14 Assembly including a summary of the information described in
15 this Section as well as its recommendations as to whether the
16 program should be discontinued, continued with modification or
17 modifications or continued without modification, provided that
18 any recommended modifications shall only apply prospectively
19 and to measures not yet installed or financed.

20 (h) An electric utility offering a Commission-approved
21 program pursuant to this Section shall not be required to
22 comply with any other statute, order, rule, or regulation of
23 this State that may relate to the offering of such program,
24 provided that nothing in this Section is intended to limit the
25 electric utility's obligation to comply with this Act and the
26 Commission's orders, rules, and regulations, including Part
1 280 of Title 83 of the Illinois Administrative Code.

Excerpts from ComEd OBF ICC Order on Evaluation

Section on Commission Analysis & Conclusion, Subsection G on Evaluation

Under Sections 16-111.7 and 19-140, the Commission is tasked with reviewing the evaluators' reports, drafting its own report summarizing on-bill financing program performance, and making a recommendation on the propriety of continuing with these programs. Fulfilling these obligations requires the Commission have a uniform system to compare each utility program, taking into consideration each utility's unique characteristics. Should the utilities select separate evaluators, inconsistency in evaluation methodology could hinder the Commission's ability to function effectively in this respect. For instance, if a service territory difference such as population density is not weighted consistently across each evaluation, the Commission would be left in the unenviable position of choosing between competing methodologies or splitting the difference on the impact of the variable.

The Commission believes that a standard evaluation methodology and standard evaluation criteria must be developed and imposed to provide the Commission with consistent and meaningfully comparable data necessary for evaluation of the programs. The Commission envisions this process as a collaborative effort amongst all interested parties. Staff is directed to provide the Commission with an Order initiating a proceeding wherein all interested parties may file Initial Comments and Reply Comments regarding the methodology and criteria to be utilized by the evaluators. The utility will file notice of its appointment of its evaluator in this proceeding. The evaluator will file its recommendation for its methodology and criteria and the ALJ will develop and provide the Commission with an expedited schedule for comments and replies to the evaluators' recommendations.

Within 6 months of the appointment of an evaluator by each utility, the ALJ will file with the Commission a report detailing the comments and replies and a recommendation for the standardized methodology and criteria.

Continuance of Program During Evaluation. CUB is concerned about what happens to the OBF Program during the pendency of the evaluation. Although both Ameren and CUB believe that the program should continue throughout, the AG believes it is premature to make such a determination. The Commission finds the AG's concerns to be unwarranted. These are revolving funds and presumably many customers will choose shorter terms that will then free up funds that can be loaned to other customers. One topic to consider in the evaluation is whether the amount financed should exceed the \$2.5 million that all the utilities have requested. The Commission agrees with CUB that the evaluation process would benefit from stakeholder feedback. Thus, we adopt CUB's proposal for additional workshops.

Findings & Ordering Paragraphs from the ComEd Order

- (10) Staff shall provide the Commission with an Order initiating a proceeding wherein all interested parties may file comments and replies regarding standard evaluation methodology and standard evaluation criteria to be utilized by evaluators. The evaluator will file its recommendation for a standard evaluation methodology and standard evaluation criteria;
- (11) the evaluator will file its recommendation for a standard evaluation methodology and standard evaluation criteria;
- (12) the ALJ will develop an expedited schedule for comments and replies to the evaluators' recommendations;
- (13) within 6 months of the appointment of the evaluator, the ALJ will file with the Commission a report detailing the comments and replies and a recommendation for the standardization of evaluation methodology and evaluation criteria;

DRAFT

**Annex B:
Proposal Evaluation Worksheet**

| | | | |
|--|--------------------|-----------------|--------------|
| Illinois Energy Association | | | |
| Illinois Utilities On-Bill Financing Energy Efficiency Loan Program | | | |
| Program Evaluator Request For Proposal: | | | |
| Proposer Evaluation Worksheet | | | |
| | | Grade | |
| | | (0-100%) | |
| Criteria | Point Value | | Score |
| 1 Firm Qualifications & Experience | 25 | | |
| 2 Firm Size, Stability & Reputation | 10 | | |
| 3 Staffing Plan | 15 | | |
| 4 Approach to Evaluation | 35 | | |
| 5 Fee Proposal & Budget | 15 | | |
| Total Points | 100 | | |
| Evaluation Proposer Name: _____ | | | |
| Evaluator Name & Date: _____ | | | |