

BOARD MEETING DATE: March 2, 2018

AGENDA NO. 3

PROPOSAL: Execute Contract to Implement Consumer Rebate Program for Rule 1111 Compliant Natural Gas-Fired, Fan-Type Central Furnaces

SYNOPSIS: On December 1, 2017, the Board authorized: (1) utilizing \$3,000,000 in Rule 1111 rebate funding from the Air Quality Investment Fund (27), as well as any additional incremental mitigation fee funding from future Rule 1111 amendments, to have a third-party contractor for implementation of the consumer rebate program; and (2) issuing RFP #P2018-05 to solicit proposals to administer the rebate program for consumers who purchase and install compliant furnaces in the SCAQMD. This action is to execute a contract with Electric & Gas Industries Association to implement the rebate program in an original amount not to exceed \$3,000,000, and add any additional incremental mitigation fee funding from future Rule 1111 amendments through contract modifications.

COMMITTEE: Stationary Source, February 16, 2018; Recommended for Approval

RECOMMENDED ACTIONS:

Authorize the Chairman to (1) execute a contract with Electric & Gas Industries Association in an original amount not to exceed \$3,000,000 and (2) add any additional incremental mitigation fee funding from future Rule 1111 amendments through contract modifications to implement the consumer rebate program for Rule 1111 compliant natural gas-fired fan-type central furnaces.

Wayne Nastri
Executive Officer

Background

Rule 1111 - Reduction of NO_x Emissions from Natural-Gas-Fired, Fan-Type Central Furnaces, was adopted to reduce emissions of nitrogen oxides (NO_x) from residential and commercial gas-fired fan-type space heating furnaces with a rated heat input capacity of less than 175,000 BTU per hour or, for combination heating and cooling units, a cooling rate of less than 65,000 BTU per hour. This rule applies to manufacturers, distributors, sellers, and installers of such furnaces.

Rule 1111 was amended in 2009 to lower the NO_x emission limit from 40 to 14 ng/Joule (ng/J), and was again amended in 2014 to provide additional time for manufacturers to develop compliant products by providing an alternate compliance option of a per-unit mitigation fee in lieu of meeting the new lower NO_x emission limit for up to 36 months past the applicable compliance date.

Staff is proposing amendments to Rule 1111 for Board consideration at the March 2, 2018 Board meeting. A companion proposal to the proposed rule amendments is a rebate program for consumers to encourage purchase of the 14 ng/J furnaces. The mitigation fees collected previously and those that will be collected, if the Board approves the rule amendments in March, will provide funding for the rebate program and administration by a third-party contractor. The proposed rebate is \$500 for the first 6,000 compliant furnaces that are purchased and installed, \$300 for compliant condensing furnaces and \$200 for compliant non-condensing, weatherized, and mobile home furnaces. The estimated number of rebates could range from 10,000 to 50,000 for the first year. The duration of the program may be two to three years for condensing, non-condensing, and weatherized furnaces, and up to four years for mobile home furnaces, depending on how long the funding lasts. The consumer rebate program is expected to not only offset costs for consumers, but also motivate commercialization of compliant products.

On December 1, 2017, the Board authorized the following for the Rule 1111 rebate program: (1) utilizing \$3,000,000 in rebate funding from the Air Quality Investment Fund (27), as well as any additional incremental mitigation fee funding from future Rule 1111 amendments, and to have a third-party contractor implement the rebate program; and (2) issuing RFP #P2018-05 to solicit proposals to administer the rebate program for consumers who purchase and install compliant furnaces in the SCAQMD.

Outreach

In accordance with SCAQMD's Procurement Policy and Procedure, a public notice advertising the RFP/RFQ and inviting bids was published in the Los Angeles Times, Orange County Register, the San Bernardino Sun, and Riverside County's Press Enterprise newspapers to leverage the most cost-effective method of outreach to the South Coast Basin.

Additionally, potential bidders may have been notified utilizing SCAQMD's own electronic listing of certified minority vendors. Notice of the RFP has been emailed to the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, and placed on the Internet at SCAQMD's website (<http://www.aqmd.gov>).

The RFP was also posted on social media such as Facebook and Twitter, and emailed to environmental justice groups. The RFP was also sent by email newsletter to the Rule 1111 working group and all interested potential bidders that stakeholders recommended.

A bidder's conference was held at the SCAQMD Diamond Bar headquarters on December 19, 2017. Five interested bidders were present for clarification of the rebate program. Staff also received further questions from individual bidders after the bidder's conference, and sent responses to all the interested bidders via email.

Proposal Evaluation

By the January 9, 2018 RFP deadline, a total of three proposals were received. Each proposal consisted of a technical proposal, a cost proposal, and certifications.

The RFP contained a point scoring system with a total of 100 points: 70 points for the technical proposal; and 30 points for the cost proposal. In addition, up to 15 points could be granted to self-certified small businesses, disabled veteran business enterprises, local businesses, or most favored customers.

The evaluation panel consisted of a staff member from the San Joaquin Valley Air Pollution Control District and three SCAQMD staff members from Legislative, Public Affairs & Media and Planning Rule Development & Area Sources, including two Program Supervisors and one Manager. Of the four panelists, two are Asian-Pacific Islander and two are Caucasian; one female and three males.

The resulting proposal scores are summarized in the attachment. Electrical & Gas Industries Association (EGIA) scored the highest with 98 points. The cost proposal was a key component in distinguishing the total points for the proposals. Cost evaluation criteria was based on Section IX (B)(4) of the RFP: The lowest cost proposal will be awarded the maximum cost points available and all other cost proposals will receive points on a prorated basis. Moreover, to ensure a fair comparison, the evaluation panel decided to exclude marketing costs from the other proposals before prorating the points for cost, due to the consideration that the EGIA proposal did not include the portion of marketing costs that are subject to the SCAQMD's approval. This provided a more even approach in evaluating the cost proposals.

Proposal

EGIA is a non-profit organization that has conducted incentive programs for several of the manufacturers that sell products in the SCAQMD jurisdiction (e.g., Goodman, Lennox, and Rheem). EGIA had, by far, the lowest cost proposal and is not asking for any advance funding, rather, administrative charges will come in the form of a fixed percentage of each rebate issued (not to exceed \$17.50 per rebate). The recommended contractor will start in 30 days from contract execution, and has a local network of over 2,000 contractors in Southern California that have participated in past EGIA programs. The rebate processing system will have an online application submittal, processing, status tracking, and can be linked via the SCAQMD website. EGIA will also have an online dashboard for staff to track the effectiveness of the program and to be able to make any adjustments to the rebate program to ensure its success.

Staff recommends that the Board authorize the Chairman to execute a contract with EGIA in an original amount not to exceed \$3,000,000 to implement the Rule 1111 consumer rebate program, and add any additional incremental mitigation fee funding from future Rule 1111 amendments through contract modifications.

Benefits to SCAQMD

The recommended contract will provide the SCAQMD with the resources needed to promote and process consumer rebate applications for Rule 1111 compliant furnaces.

Resource Impacts

Total available funding for this rebate program is the combination of the following: (1) the previously authorized \$3,000,000 in rebate funding, which remains unspent in the Air Quality Investment Fund (27); and (2) the increased portion of the mitigation fee as part of the proposed Rule 1111 amendment to be considered for adoption on March 2, 2018¹.

EGIA's marketing, rebate processing, and reporting costs will be on a fixed-percentage of the rebates processed and depend on total available rebate funding.

Attachments

Evaluation of Proposals for RFP #P2018-05

¹ The rebate program can be implemented with the \$3,000,000 funding even in the absence of the proposed March 2, 2018 amendments.

ATTACHMENT

Evaluation of Proposals for RFP #P2018-05

Summary	Technical Points (Average)					Additional Points (Average)		Total Points (Average)
Bidders	Understanding the Problem (20)	Technical/ Management Approach (20)	Contractor Qualifications (20)	Previous Experience on Similar Projects (10)	Cost (30)	Points (self-certified)	Specified Criteria	
Electric & Gas Industries Association (EGIA)	17	20	19	10	30	2	Most favored customer	98
Frontier Energy Inc.	19	15	18	10	7	7	Most favored customer; Local business	76
CLEAResult Consulting Inc. (CLEAResult)	17	16	19	10	14	0		76