



Dear Mayor and Council Members,

On behalf of City Manager Ed Shikada, please see staff responses below for questions from Council Member Tanaka on the [Monday, December 16 Council Meeting](#).

**Item 13: Approval of Contract Amendment No 1 to Contract Number C22177024A with CLEAResult Consulting Inc., Extending the Term for Two Additional Years Through November 14, 2026, a Change in the Compensation Structure, and no Change in Not-to-Exceed Amount of \$2,571,714 for Efficiency and Electrification Program Services for Small to Medium Business and Commercial Customers; CEQA Status: Not a Project.**

1. **How does the City plan to address the significant underperformance in project conversion rates (i.e., from assessments to completed projects), given that only 20 projects were completed out of 158 assessments? What specific corrective measures will be implemented to increase this conversion rate during the extension period?**

**Staff response:** It should be noted that this service was a new venture, providing a new level of service and audience with undetermined expectations for acceptance. The initial months of the contract faced challenges, including staff turnover at CPAU and CLEAResult, as well as inefficiencies in program processes. Since then, CPAU and CLEAResult have made significant improvements in key areas such as marketing, report turnaround times, and customer relations. CPAU is also exploring additional strategies, including educational webinars and enhanced incentives, to support businesses with electrification.

Historically, SMB (small medium business) customers had a low participation in programs. However, with the launch of the CLEAResult program, we were able to successfully convert this trend into a consistent flow of projects from SMB customers. The proposed contract reflects these improvements through mid-2024. A table outlining current participation and project numbers as of 12/11/24 is provided below.

Program	Assessments	Projects Complete
BEA	110	16
BETAP	99	9

2. **What contingency plans or alternative strategies will be implemented if CLEAResult fails to meet the program's projected energy and emissions reduction**

**goals during the extension? For example, is the City considering a backup program or alternative contractors if CLEAResult continues to underperform?**

**Staff response:** For the remaining year and a half of this contract, CPAU will be designing a new holistic efficiency and electrification program to launch by the time this contract ends. The future program may include a version of site assessments similar to what we offer through CLEAResult, but have not yet determined if this will be brought in house or provided through a new vendor. Additionally, CPAU plans to revise our rebate offerings to better help businesses reach their electrification goals. In the meantime, the project forecast through the CLEAResult programs shows that we are on track to meet the savings targets outlined in this contract extension.

3. **Given that natural gas emissions have not been significantly reduced during the first three years of this contract, what specific new approaches will be taken in the extension period to achieve the City's goal of reducing natural gas use by 38% by 2030, especially in light of commercial electrification barriers?**

**Staff response:** The most significant barrier for small commercial customers in adopting electric equipment, such as heat pump HVAC systems, is the higher upfront cost. This is particularly challenging for small businesses, which often operate with limited cash flow and bandwidth. Many are tenants rather than building owners, further complicating their ability to make long-term investments in electrification. To address this, the City launched the Commercial Heat Pump HVAC Pilot Rebate Program, which provides additional financial support for electrification projects. This includes milestone payments to help offset upfront costs, making it more feasible for small businesses to participate. CLEAResult has been instrumental in driving program participation by combining targeted marketing efforts with comprehensive technical assistance. They support businesses that lack the staff resources or technical expertise to navigate the transition from natural gas to efficient electric solutions, ensuring more equitable access to electrification opportunities.

4. **The proposed compensation increases for CLEAResult are justified by the need for more effort in assessments and project implementation. How does the City ensure these increased costs are translating into higher project completions and energy savings in a way that justifies the higher financial investment, especially when the previous contract did not meet savings targets?**

**Staff response:** Over the past year, CLEAResult has achieved remarkable growth, more than doubling the program's participation rate compared to its first two years combined. This success is largely attributed to increased vendor staffing, including the addition of engineers, enhanced marketing efforts, and streamlined program processes. A key driver of this achievement has been the dedication of staff, who

conducted extensive door-to-door outreach, visiting over 540 customer sites over the past two years. As an innovative program, the absence of comparable pricing models in the industry initially resulted in a miscalculation of project completion costs. The requested increase in performance payment reflects the professional "white glove" service CLEAResult provides, leading to higher project completion rates and significantly greater energy savings.

- 5. What specific strategies will be implemented to overcome the financial and technological barriers that small and medium-sized businesses (SMBs) face in adopting energy-efficient and electrification solutions, and how will the program ensure these businesses are able to fully participate without being burdened by high upfront costs or technological complexity?**

**Staff response:** Staff is in the process of reevaluating our business rebate offerings. Rebate amounts will likely be adjusted to ensure the maximum greenhouse gas reductions per dollar spent. CLEAResult continues to educate business customers on efficiency and electrification projects through the assessment reports, reviewing bids from contractors, and helping businesses research eligible equipment.