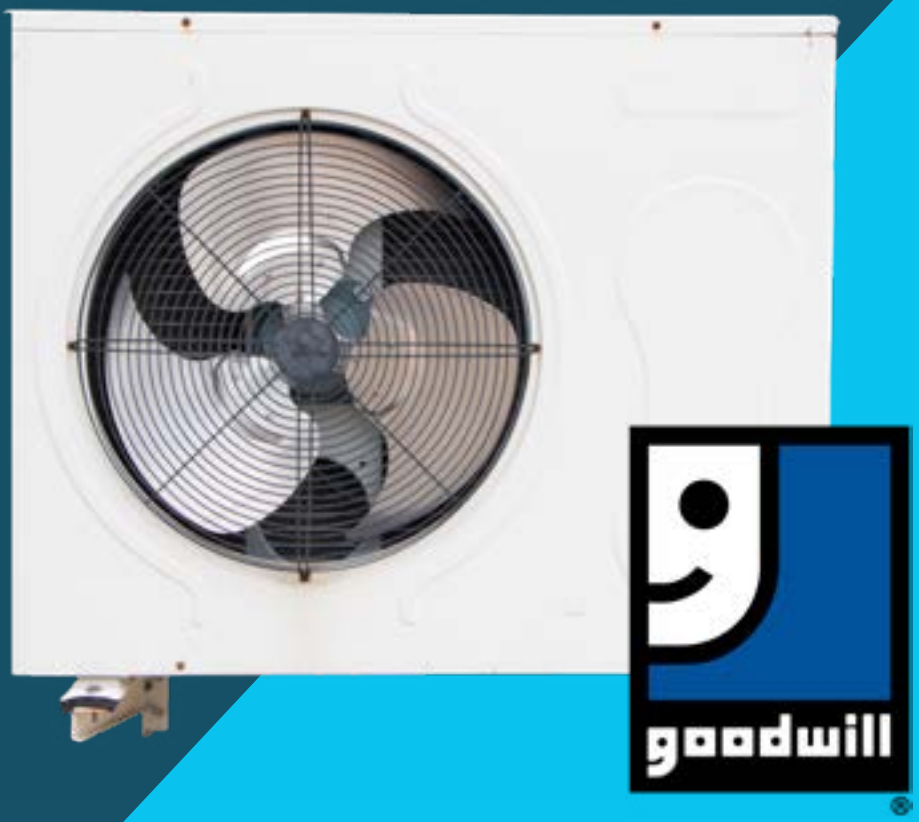
QUICK START GRANT **FINAL REPORT**

Goodwill Southern California

Quick Start Grant Discontinued Project Summary

April 2024



TECH CLEAN CALIFORNIA

Executive Summary

This document provides an overview of Goodwill Southern California's discontinued Quick Start Grant project, assessing the reasons why the project was unsuccessful, and the critical lessons learned from the grant administrator's perspective.

Overview of Program's Intention

The Department of Energy's Pathways to Advance the Trades in HVAC Services Initiative ("PATHS") is an approach to workforce education and training for HVAC that targets the entire career pathway from recruitment to trade schools through classroom training, career preparation, workforce recruitment, on the job training, and formal workforce training. One of the project's goals is to develop a replicable pathway that supplements a workforce's skill base with the necessary HVAC knowledge and skills for optimum performance. The first phase of this project is intended to use the PATHS approach for two cohorts of students in the Inland Empire (from the region served by Southwest Gas) who will develop specific knowledge and skills in heat pump systems design, installation, and maintenance. A key aspect of deploying PATHS within the Inland Empire is to serve the region's disadvantaged workforce.

Under the design of the program, each Quick Start Grant recipient partners with PATHS to help support their workforce placement and preparation efforts. As part of this, the recipient is responsible for ensuring that the project reflects the realities of placing disadvantaged workers into career-focused jobs in the heat pump sector of the HVAC industry. This includes providing assessments, counseling, and supportive services throughout the project. The Quick Start Grant recipient is expected to use the grant to offer the necessary tools (includes items like digital refrigerant gauges, temperature probes, flowmeters, ammeters, manometers, and Android devices to collect and analyze instrument readings) through the Career Tools program to qualified PATHS participants. Being qualified is defined as already enrolled in the HVAC program at Riverside City College and residing within the Southwest Gas ("SW Gas") service area, which will increase the participant's ability to get hired with partnered companies. Under the grant's structure, the Quick Start Grant recipient is intended to work with the PATHS program to track a participant's course curriculum, provide field experience for heat pumps and general HVAC installations, and work with contractors enrolled with TECH Clean California (within the SW Gas service region) to find hiring opportunities for qualified candidates.

The project's second phase is intended to facilitate the establishment of a PATHS program at a community college in the region served by SW Gas. The current PATHS program is being implemented at Riverside City College ("RCC"), which is in the Inland Empire, but not in the SW Gas service area. Phase one training component of this project is intended to occur at RCC with students who live in the SW Gas service area to benefit from existing training infrastructure, rather than waiting for training to be established in this service area.

Goodwill was awarded this Quick Start Grant for their proposal, which aimed at equitable workforce development in the HVAC trades with a focus on heat pump services. TECH Clean California supported the development of Goodwill's scope of work during the project's design and writing phase of their project proposal. The resulting pilot was intended to work with the Department of Energy's PATHS1 program and to support students in need by providing the required tools at no cost as a career placement strategy. Through this project, Goodwill committed to facilitating field experiences, engaging with contractors enrolled with TECH Clean California, providing pre-career mentorship opportunities, and offering students Goodwill's suite of wrap-around services.

Goodwill was awarded a Quick Start Grant because of the potential for expanding its program through PATHS, and because of the gap in Goodwill's funding for the kind of educational tools the Quick Start Grant program could uniquely provide. The decision to award the grant to Goodwill was also driven by a lack of other applications which might have been a better match for the funds. This need to award a grant without meaningful competition was created by the investor-owned utility's funding restrictions, as described further below.

Issue One: Investor-Owned Utility Funding Restrictions

Goodwill initially sought $44,953 in Quick Start Grant funding to purchase the tools used in the PATHS program and labor coordination to integrate with TECH Clean California workforce education and training activities. Notably, the PATHS program planned to utilize tools compatible with IHACI's Visual Service software and offered an opportunity to expand and maintain IHACI's ongoing Quick Start Grant. However, the Goodwill proposal mainly intended to use the Quick Start Grant funds to buy tools to support students in the PATHS program, including digital refrigerant gauges, temperature probes, flowmeters, ammeters, manometers, and Android devices to collect and analyze instrument readings. Since PATHS is a general HVAC training program, this did not clearly connect to heat pump market transformation. This was not overlooked when evaluating proposals; as noted by one reviewer, "the connection with heat pumps is tenuous – focus seems to be on general HVAC training." Many other applications demonstrated more promise and fared better in the Quick Start Grant solicitation evaluation conference. However, the funding allocation by investor-owned utility (IOU) service area limited TECH Clean California's ability to award proposals by locale rather than through a strictly competitive process.

TIMELINE:
February – November 2022

HOUSING TYPE:
Residential

EQUITY SEGMENT:
Disadvantaged Communities

TECHNOLOGY:
Heat Pump HVAC

LOCATION:
Inland Empire. Southwest Service Area

Goodwill, the only SW Gas applicant, was selected by TECH Clean California to receive an award based on this premise. The California Air Resources Board (CARB) conditionally approved the project, stipulating that it was based on TECH Clean California's ability to "ensure that this project maintains a GHG-reduction focus per the limitations on the use of auction proceeds for education and outreach activities in section 95893(d)(4) of the [Cap and Trade] Regulation" by requiring (1) that the students' training have an emphasis on heat pump technology, and (2) that they have a documented mentorship pairing with a heat pump contractor. These requirements were included in the project's scope of work signed by Goodwill, which expanded their responsibilities to comply with the CARB conditional approval and increased their Quick Start Grant award to $100,000.

Issue Two: Scope of Work Revisions

The adjustments made to fit the application into a compliant grant project introduced new problems, with unforeseen implications. First, Goodwill's proposal had requested funds from SW Gas and SoCalGas service areas but was now limited to operating only in the SW Gas service area. This substantially constrained how the project could integrate with PATHS, given that the partner trade school, Riverside City College, was in SoCalGas service area. To overcome this problem, the scope of work drafted by TECH Clean California and Goodwill stated they would "use the PATHS approach for two cohorts of students in the Inland Empire (from the region served by SW Gas) who will specifically develop knowledge and skills in heat pump systems design, installation and maintenance". Each cohort consisted of five students who went to Riverside City College, were enrolled in the HVAC program and PATHS, and lived in the SW Gas service area. Goodwill would provide them with individualized support throughout their instruction, tool kits, and job placement/career assistance with HVAC businesses in the SW Gas service area. A second phase of the project was added to "facilitate the establishment of a PATHS program at a community college within the region served by SW Gas". The scope of work went through two drafts, during which Goodwill was allowed to revise these commitments based on feasibility. Throughout this process, Goodwill remained confident in its ability to deliver. To account for the expanded scope, the grant award was raised from $44,953 to $100,000, the total SW Gas allocation. This felt like the best path for TECH Clean California to learn this concept's replicability and scalable nature.

Issue Three: Grantee Commitment and Ability to Deliver

From the onset, it was unclear what project activities Goodwill was undertaking. TECH Clean California team member VEIC led the week-by-week, month-by-month communications and received updates from Goodwill. As part of this process, the team had multiple meetings with Goodwill during the startup phases and throughout the summer. However, the primary contact who submitted the Quick Start Grant application was no longer involved with the project shortly after it began, potentially disrupting the grantee's knowledge of delivering project objectives. Goodwill reported positive progress during monthly check-in calls, but consistently fell short of providing sufficient and timely documentation of their work. For example, Goodwill did not provide adequate documentation for their first milestone on

student recruitment activities, which had been due two months after the project initiation. TECH Clean California clearly articulated their expectations, and the grantee was informed that they would not receive payment for their milestone until proper documentation was provided.

The situation was further complicated when it was discovered soon after project initiation that Goodwill's role on the PATHS Advisory Committee was far less significant than what they had strongly indicated in their proposal and interview. VEIC first sought clarification of Goodwill's role within PATHS in March 2023 after they had requested to review scope of work language and had instead been told by Goodwill that no work will be done through PATHS but instead "inspired by PATHS." Though it did not seem like the PATHS misunderstanding was a purposeful omission in bad faith by Goodwill, this nonetheless raised substantial concerns about the grantee's understanding of their group and capability to implement the project as initially planned. This became far more problematic in May, as Goodwill could only identify two eligible students at Riverside City College and would need to rely on expanding the PATHS model to a school in SW Gas service area if the grant were to accomplish anything. TECH Clean California proposed that Goodwill draft a redlined contract with this change and begin outreach immediately to assess whether this was feasible. Goodwill completed a partial review, but TECH Clean California requested more work be completed to ensure the scope of work remains coherent. Goodwill committed to revising the change order but did not follow through between monthly check-ins. Nonetheless, work continued while the team waited for these changes to keep things moving at the necessary pace.

Additionally, TECH Clean California asked Goodwill to map out the activities facilitated through the PATHS program to better understand the relationship with the Quick Start Grant and how it would carry over to a new school, given Goodwill's standing on the advisory committee. As with the milestone documentation and change order, Goodwill failed to sufficiently answer this request. Goodwill did not write out the roles and responsibilities of all involved in the activities, as had been requested in recurring check-ins. A resolution on all these issues had not been reached by July when concerns about the possibility of early termination of the grant were elevated to team lead Energy Solutions. By the end of July, the team received the following message from Goodwill:

> For the overall project, PATHS is providing visual services and curriculum development; GSC Quick Start Grant is providing supportive services (tools) and career services. PATHS students have access to visual services and presentations/notes from business advisory committee meetings. Marketing collateral is in development to recruit diverse students into HVACR programs of study. … In the coming months, PATHS will be launching a mentorship program which will prioritize RCC students (which include GSC Quick Start Grant participants).

To better understand this, TECH Clean California notified Goodwill that August's recurring check-in would be used to collaboratively document activities at each stage of student engagement through this Quick Start Grant.

The TECH Clean California team developed and shared a spreadsheet with Goodwill before the meeting with an apparent separation of PATHS and Goodwill responsibilities, detailing what had been committed to under this grant, and what had been accomplished. The outcome showed a clear misalignment between the required activities part of the Quick Start Grant and what Goodwill had done to support the two students they recruited. By this point, the students had graduated and found employment. Tools had not been provided to the students, who had only received wrap-around services as part of Goodwill's core model. The grantee was notified that this cohort of students could not be supported through Quick Start Grant funding based on this information.

In September, the TECH Clean California team requested information from Energy Solutions on the internal process of closing this contract. Prior to moving forward with contract termination, the team allowed Goodwill to attempt completing the second phase in their scope, as they had initiated conversations with a school in SW Gas service area. However, the team clearly explained concerns about grant achievement to date and the ability of Goodwill to accomplish what remained in the scope. In October, TECH Clean California proposed interim key performance indicators with strict deadlines and detailed information on expectations for what will be delivered. This was informed by the team's research into the school's curriculum and course offerings. TECH Clean California expressed concern that the curriculum was insufficient as-is and that new content would have to be introduced through a lengthy review process to meet the expectations of the grant. Goodwill wished to continue and agreed to interim key performance indicators, understanding that failure to adhere to the deadlines meant the project would be terminated early. Goodwill could not meet these expectations within a few weeks of establishing this monitoring.

At this point, the team made the call on letting this project go, and be disconnected, because key milestones had not been accomplished. TECH Clean California provided Goodwill with a final opportunity to submit documentation to invoice for activities they had supported under the Quick Start Grant by the end of the year, which they did not take advantage of that opportunity. A contract termination notice was sent in January 2024 and has not received acknowledgment from Goodwill.

Key Lessons and Improvement Opportunities

Allocating funding by IOU service area limits program impacts. Strictly adhering to this type of funding allocation, while consistent with the cap-and-trade funding framework, is not always suitable for a grant program supporting innovative ideas aimed at statewide scaling. Exploring how funds may be flexibly used under the current statutory framework to maximize impact and prevent avoidable failures of projects may benefit future programs. This kind of structural change could have helped improve how funding for Goodwill's project was used. For instance, TECH Clean California could have presented an assessment of Goodwill's proposal, relative to other promising applications, so the CPUC could decide if a shift in funding could better serve ratepayers. Similarly, if an awarded project faced an insurmountable barrier

based on geographic restrictions, the CPUC could allow projects to operate outside of the IOU service area allocation on a case-by-case basis. Goodwill's project would have been far more straightforward if they had fully partnered with PATHS at Riverside City College, located only an hour from the school in SW Gas where work was attempted. Otherwise, a clear explanation of how unused funds would be used would have aided in comparing and determining the best use of funds while evaluating proposals.

Substantial changes to any scope of work must be carefully weighed regarding any new risks and challenges introduced. Some factors worked against the TECH Clean California team's ability to weigh the risk in this adjustment properly: Goodwill is a well-known organization that planned to leverage a DOE-sponsored program to support their efforts on this Quick Start Grant. The project was also one of the only workforce development grants in the Quick Start Grant portfolio and had a strong equity component, both of which were areas TECH Clean California would benefit by engaging in the project. Finally, a lack of visibility into how unspent SW Gas funds would be used affected how risk was assessed in taking on this project.

While the activities in the signed scope of work fall under what Goodwill included in their application at a high level (e.g., "integration with TECH Clean California workforce education and training activities"), the significant jump in awarded funds created an expectation of significantly more effort to be dedicated to the project, which the grantee may have discounted. And, while Goodwill provided the opportunity to walk back commitments, better discernment in accounting for potential pitfalls of this grant was warranted. Improvements may include setting clear and specific expectations for deliverables where the scope is expanded.

The process of identifying unsuccessful projects and early termination of grants should be established upfront. The Quick Start Grant Agreement allows contracts to be terminated by Energy Solutions for "any reason or no reason," making the process for closure simple. Still, the team had not discussed the process before this grant showed signs of failure. In part, this is a testament to the success of the 19 other projects. A best practice, however, would be to have the closure process written out before launching the program, such as identifying channels of communication, responsibilities at each step of the process, and indicators that constitute termination. Uncertainty over how best to proceed resulted in the team investing too much time and effort in supporting this project.

An area of improvement is to have conversations early on regarding accountability and expectations, being direct with grantees in the future about the possibility of early closure. Additionally, establishing performance improvement metrics or criteria for failure in each scope of work may be valuable in clarifying the process. Once a grant starts experiencing significant challenges, there must be close tracking of engagement, including documenting all communications with the grantee, following up with the next steps after meetings, securing commitments in writing, and tracking grantor staff hours dedicated to supporting the success of the grant.

The flexibility of the Quick Start Grant pilot is a complementary and competing asset of the grant program. Many grantees have voluntarily shared praise of the Quick Start Grant Pilot for its flexibility, touting this as a highly valuable asset for a program targeted at overcoming market barriers. This has allowed their focus to remain on project implementation instead of navigating complicated program requirements. Grantees have acknowledged this as a unique attribute compared with other sources of funding. Though Goodwill is the only grant in the portfolio to be terminated, nearly all grantees have needed contract modifications. In this vein, the flexibility provided to Goodwill should not be rescinded for future grantees. Instead, past performance and evident commitment from the grantee should be scrutinized more. For example, other grantees facing significant challenges could clearly articulate their issues, propose realistic solutions for how work could move forward, consistently respond to requests from VEIC, and otherwise meet expectations for milestones. Going forward, grantees not meeting these criteria would be given less leeway.

Finally, the Quick Start Grant team involved with this project became heavily invested and hopeful for its success. This influenced the ability to objectively assess early indicators that the grant would fail, rather than trusting in Goodwill's delivery. The well-meaning intent behind the grant and positive updates from the grantee discounted the significance of the mounting issues with deliverables. And, as the months wore on, the Quick Start Grant team facilitated attempts to move deliverables forward where Goodwill was lacking. For example, the Quick Start Grant team conducted direct outreach to faculty at the school in SW Gas service area to provide free training and equipment, researched curriculum and course offerings, and mapped out the student journey, among other actions. This over-commitment prolonged the grant despite the apparent issues the grantee was not remedying.

This program is part of the TECH Quick Start Grants (QSG) program, designed to fund targeted, innovative projects that test approaches to overcoming market barriers to heat pump space and water heating adoption.

If you have questions about this report's findings or seek additional support assessing lessons learned for scaling project concepts, please contact the TECH Clean California Team at tech.info@energy-solution.com.