



KHY/lil 9/17/2018

**FILED**  
09/17/18  
09:39 AM

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning, and Evaluation of Integrated Distributed Energy Resources

Rulemaking 14-10-003

**ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING  
RESPONSES TO QUESTIONS REGARDING CONTRACTS TO  
UPDATE THE AVOIDED COST CALCULATOR AND RELATED WORK**

**Summary**

This Ruling directs parties to respond to the questions provided in this ruling regarding hiring a contractor to perform the next update to the Avoided Cost Calculator and other related work. Responses shall be filed no later than September 27, 2018. Replies shall be filed no later than October 2, 2018.

**Background**

Decision (D.) 16-06-007, which updated portions of the Commission's cost-effectiveness framework, directed the Commission's Energy Division (Energy Division) to draft a resolution, annually on May 1 of each year, beginning May 1, 2017, requesting Commission approval to update the Avoided Cost Calculator. Relatedly, the Decision authorized the Executive Director to hire and manage one or more contractors to perform the annual Avoided Cost Calculator update and to provide technical assistance or research for the purposes of refining cost-effectiveness methods in Rulemaking (R.) 14-10-003. D.17-08-002 modified D.16-06-007 to extend this deadline to May 1, 2018 due to "ongoing processing delays in the Commission's contracts office," and

highlighted that these delays directly led to a delay in obtaining technical consulting services to perform the update of the avoided cost calculator.<sup>1</sup>

## **Discussion**

Energy Division states that the delays in the Commission's contracts office, discussed in D.17-08-002, have continued to the present day. Energy Division cautions that future contracting efforts could be subject to ongoing delays. To ensure that future cost-effectiveness modeling efforts will proceed in a timely manner, Energy Division recommends that the Commission consider an alternative contracting process in the event that the Commission's internal contracting process continues to experience delays. Energy Division proposes to direct Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (SCE) (the Utilities) to hire a contractor to perform the annual Avoided Cost Calculator updates and any necessary technical assistance or research related to cost-effectiveness methods.

Energy Division provides three examples where the Commission has directed the Utilities to hire a contractor and provided clear guidance and oversight.

1. Energy Upgrade California program administrator contract: D.16-03-029 established a specific process for hiring a program administrator through a utility-directed contract. In this example, the Utilities administered the Request for Proposal, but Energy Division developed the Request for Proposal, scoring method, and played a central role in selection determinations.<sup>2</sup> D.16-03-029 established a committee of regulatory, utility, and ratepayer advocate representatives to review the bids to the Request for Proposal for the contractor, with the scores weighted so as not to give any group a scoring advantage.<sup>3</sup>
2. Solar on Multifamily Affordable Housing program administrator contract: D.17-12-022 directed that the Energy Division select a program administrator for the program through a Request for Proposal

---

<sup>1</sup> D.17-08-002 at 2.

<sup>2</sup> D.16-03-029 at Ordering Paragraph No. 1.

<sup>3</sup> *Id.* at 17.

process managed by SCE on behalf of the Commission. Specifically, the decision instructed that the process be led by Energy Division with the final selection of the program administrator made by Energy Division.<sup>4</sup>

3. Self-Generation Incentive Program (SGIP) annual evaluation contractor: D.16-06-055 found it reasonable to adopt the recommendation that the Energy Division develop a measurement and evaluation plan in consultation with program administrators.<sup>5</sup> The final SGIP Measurement and Evaluation Plan specifically authorized a single SGIP program administrator, to be chosen by a plurality of the SGIP Working Group, to oversee the contracting required to execute the plan and conduct the bidding process for the contracting work as necessary.<sup>6</sup>

Energy Division contends that a utility-directed contracting process is less time-consuming as compared to the Commission contracting process. By having a utility-administered contracting process, Energy Division maintains there will be less risk of project delay or cancellation. However, Energy Division cautions that a utility-administered contract could move contract control away from the Commission, which could be perceived as potentially leading to a bias. With Commission-controlled contracting, Energy Division maintains there is little opportunity for this perception to occur. Energy Division advises that a utility-administered contract with *clear guidance and stringent oversight from the Commission* could decrease the perception of subjectivity and bias and recommends a decision with such guidance.

To determine whether it is reasonable for the Commission to approve a utility-administered contract for future cost-effectiveness modeling work, parties are directed to respond to the questions below. Responses shall be filed no later than September 27, 2018 and replies shall be filed no later than October 2, 2018.

---

<sup>4</sup> D.17-12-022 at Ordering Paragraph No. 6.

<sup>5</sup> D.16-06-055 at 47-48.

<sup>6</sup> SGIP Measurement and Evaluation Plan for Program Years 2016-2020 at 13. The Energy Division presented the draft plan during a December 12, 2016 public workshop. The final plan was provided to the service list via email on Friday, January 13, 2017. The link to the plan can be found on the Commission's website at: <http://www.cpuc.ca.gov/General.aspx?id=7890>.

Questions Regarding Utility-Administered Contracting

1. Describe the advantages and disadvantages the Commission should consider in determining whether to require one or more of the Utilities to hire a contractor to perform the annual Avoided Cost Calculator updates?
2. Describe the advantages and disadvantages that the Commission should consider in determining whether to require one or more of the Utilities to hire a contractor to perform technical assistance or research related to cost-effectiveness?
3. Explain why the Commission should or should not approve the proposal to require one or more of the Utilities to hire a contractor to perform Avoided Cost Calculator updates?
4. Explain why the Commission should or should not approve the proposal to ask the Utilities to hire a contractor to perform technical assistance or research related to cost-effectiveness?
5. Describe the process the Commission should follow if it determines that a utility-administered contract is reasonable? Include such details as who should pick the contractor and how the contractor should be chosen (i.e., should there be an Request for Proposal process?)
6. (Question for the Utilities Only): If ordered by the Commission to hire a contractor to perform Avoided Cost Calculator updates, describe the solicitation process the Commission should use and you consider to be the most efficient? Include a schedule in your response that would allow the Avoided Cost Calculator update to be completed by March 15, 2019, so that a Resolution could be prepared and issued by May 1, 2019.

**IT IS RULED** that, no later than September 27, 2018, parties to Rulemaking 14-10-003 shall file responses to the questions in this ruling; replies shall be filed no later than October 2, 2018.

Dated September 17, 2018, at San Francisco, California.

/s/ KELLY A. HYMES  
Kelly A. Hymes  
Administrative Law Judge