

Assembly Committee on Utilities and Commerce

Assemblymember Anthony Rendon, Chair

California Legislature

**Informational Hearing:
California Public Utilities Commission Contracting Practices
Monday, August 17, 2015, 1:30 PM
State Capitol, Room 437**

This hearing will examine the California Public Utilities Commission's (CPUC) contracting practices. Questions have been raised regarding whether or not the CPUC is sufficiently using competitive solicitation practices and adhering to state contracting rules. In addition, the CPUC may be "directing" contracts that the utilities enter into that may or may not be in the best interests of ratepayers. Documents pertaining to some contracts are either confidential or heavily redacted making it difficult for the public to determine whether the award was made in the ratepayers' interest.

A. The State Contracting Process

There are numerous statutory and policy requirements for state contracts. Principally, state agencies rely on the State Contracting Manual¹ when soliciting and/or entering into a contract to provide services. The Department of General Services (DGS) provides numerous resources for state agencies to use to ensure that they have information on how to solicit and award contracts.

In 2002, Governor Gray Davis issued Executive Order D-55-02 creating the Governor's Task Force on Contracting and Procurement Review. One of the Governor's Task Force report recommendations requires DGS to develop a uniform set of policies, procedures, and processes for contracting and procurement activities.

Statutory authority for the competitive and non-competitive procurement of information and non-information technology goods and information technology goods and services for state government resides within DGS. DGS also has the statutory authority to delegate its purchasing authority to departments that meet specific requirements.

DGS has authorized the CPUC to approve its own justifications of contracts awarded without competitive bidding if the amount of the contract does not exceed \$25,000 for information

¹ <http://www.dgs.ca.gov/ols/Resources/StateContractManual.aspx>

technology and non-information technology goods.² DGS does not delegate authority to State agencies to approve their own non-competitive bids for non-information technology services.

B. The CPUC Contracting Process

In 2000, the State Auditor published a report on the CPUC's contracting processes³ and found that the CPUC:

[...] does not always adequately develop and manage its contracts. For example, it does not consistently seek competitive bids, clearly define the scope of contracted work, and prepare reasonably detailed budgets and progress schedules. It also does not always review its consultants' invoices to ensure that all charges are appropriate and sufficiently supported. As a result, the commission has paid hundreds of thousands of dollars on invoices that included improper charges or lacked sufficient detail. Because the commission receives most of its funding from assessments on utility companies-which pass the costs on to consumers-when it makes improper payments the public ends up paying higher utility rates than necessary.

This report recommended, among other things, that the CPUC should solicit competitive bids for contracts whenever possible and use the state's contracting process for all contracts that it develops or manages, including contracts for consumer education programs.

The CPUC responded to the many issues raised in the State Auditor report, including these two responses related to the two recommendations above:

- We implemented this recommendation for all new contract proposals. Our draft Policy and Procedures Manual (PPM) addresses each element of this recommendation. For contracts in progress, each Contract Manager will ensure that the budget, progress schedules and invoices comply with this recommendation. Contract managers must use the competitive bid process; exceptions will require approval of the Executive Director. *[Emphasis added]*
- The Commission will use the State's contracting process for all contracts it develops or manages, including contracts for consumer education programs. In addition, the Commission will review its policies and options for strengthening contract oversight for advisory boards and committees. *[Emphasis added]*

It is unclear whether the CPUC is consistently using the state contracting process for the award of contracts. For example, the CPUC ordered non-competitively bid contracts within program decisions, such as in 2012 with the Center for Sustainable Energy, to conduct energy efficiency marketing and outreach in CPUC Decision 12-05-015. CPUC Order 123 in this decision states:⁴

² http://www.documents.dgs.ca.gov/pd/delegations/approvals/public_utilities.pdf

³ <https://www.auditor.ca.gov/reports/summary/99117.2>

⁴ http://www.calmac.org/events/Decision_12-05-15.pdf, at page 426

For the 2013-2014 statewide marketing, education, and outreach campaign, Pacific Gas and Electric Company [PG&E], on behalf of itself, Southern California Edison Company [SCE], San Diego Gas & Electric Company [SDG&E], and Southern California Gas Company, shall contract with the California Center for Sustainable Energy (CCSE) no later than July 1, 2012 ...

This appears to be inconsistent with the CPUC's commitment to the State Auditor to "use the State's contracting process for all contracts it develops or manages, including contracts for consumer education programs." The CPUC has also directed award of non-competitively bid contracts for the Center for Sustainable Energy for the administration of the California Solar Initiative (from 2007 to present).

It is not uncommon to see entities that receive ratepayer funds from the energy efficiency programs participating as interveners in the CPUC's proceedings and making suggestions on how the CPUC should design and implement programs. But it is unclear in these instances whether the CPUC's contractor has a conflict of interest. State law prohibits certain consultants from participating in decisions or participating in making contracts if they have a financial interest (Government Code 1090 et seq.) In addition, state law prohibits a consultant from bidding on or being awarded a contract that is required, suggested, or otherwise deemed appropriate in the end product of a previous consulting contract.

Questions

- To what extent do state contracting requirements apply to CPUC? What exceptions to state requirements have been granted to the CPUC?
- Does the CPUC follow state contracting procedures?
- What are CPUC's internal contracting procedures? How do they differ from statewide contracting procedures?
- Should CPUC contractors participate as advocates in CPUC proceedings?
- When CPUC contractors participate as advocates in CPUC proceedings, do they have a conflict of interest?

C. Non-competitively Bid Contracts

When a contract is awarded without competitive bidding, it is referred to as a non-competitive bid contract. Unless the work is of a highly specialized nature, state agencies typically issue a request for bids from qualified contractors and award a contract based on the bid that demonstrates knowledge, skills, and abilities to perform the work at the least cost. A non-competitively bid contract is not put to a bid for competitive solicitations.

Press accounts have recently revealed that the CPUC awarded a non-competitively bid contract for a criminal defense firm. This revelation led to further revelations about additional legal support contracts. Currently, it appears that the CPUC has retained four law firms, but none of the contracts with these firms were discussed or approved in a public hearing, specifically:

- In 2014, the CPUC awarded a non-competitively bid contract in the amount of \$49,000 to Stubbs & Leone, Attorneys at Law, for representation in the lawsuit filed against the CPUC by the City of San Bruno regarding the City's request for records. The contract was later amended to \$1.1 million and the scope was changed to include providing assistance responding to public records requests.
- In 2014, the CPUC awarded a non-competitively bid contract to criminal defense law firm Sheppard, Mullin, Richter & Hampton LLP for \$49,000, which is permitted for contracts under \$50,000, but in 2015, the contract amount was amended to \$5,187,000. The CPUC held no public review of any of the actions related to this contract. The California Association of State Attorneys is currently protesting this contract on the grounds that State Attorneys can represent the CPUC.
- In 2015, the CPUC awarded a non-competitively bid contract to the law firm Strumwasser and Woocher LLC for \$49,000 to review best practices to adopt and help enforce internal ex parte rules. This contract was later amended to \$430,000.
- In 2015, the CPUC awarded a non-competitively bid contract for \$35,000 with the Law Office of Anthony J. Brass to provide criminal defense on behalf of the CPUC's Chief Administrative Law Judge.

According to DGS, state law exempts contracts for legal services from competitive bidding requirements.

The CPUC points out that there is no requirement under the state contracting law for a state contract to be approved by CPUC resolution or by the Commission. The CPUC cites the State Administrative Manual:

- A state agency's authority to contract is limited to those officers who either have statutory authority or have been duly authorized in writing by one who has statutory authority.⁵
- Legal services contracts have their own specific requirements set forth in Section 3.07 of the State Contracting Manual.
- The CPUC is exempt from the requirement that they use the Attorney General's office for legal representation.⁶

⁵ State Contracting Manual, Section 2.06

⁶ California Government Code Sections 11041- 11042

Questions

- How did the CPUC select the three legal services firms and why were the contracts amended, sometimes to more than ten times their original amounts?
- Has the CPUC awarded any other contracts that were awarded non-competitively and later amended to increase amounts above the non-competitively bid limit?
- Do these contracts comply with state contracting requirements?
- What, if anything, restricts the CPUC from amending a non-competitively awarded contract that is below \$50,000 to an amount greater than \$50,000?
- Should there be a requirement that the Commission itself vote to approve certain contracts?

D. Possible Contracting "Off the Books"

In carrying out its duties, the CPUC will either render decisions and resolutions or delegate a matter to the Executive Director. In some instances, these actions direct electric and gas utilities to expend ratepayer monies.

Through the CPUC-authorized Energy Efficiency Program, utilities collect about \$1 billion per year of ratepayer monies to "develop programs and measures to transform technology markets within California using ratepayer funds."⁷ For the most part, the CPUC directs the utilities to "administer" programs and then directs the utilities on how it expects the program to be administered. This arrangement was developed as a result of electricity deregulation which established that electrical corporations would no longer receive a rate of return on electricity sales. (This is called "unbundled rates." Utilities make a rate of return on non-energy expenditures and a return on equity for capital investment.)

A portion of the funds allocated for energy efficiency programs are used for evaluation, measurement, and verification (EM&V) in order to assess how well specific energy efficiency programs worked. Depending on the results of the EM&V studies, the electrical corporations receive an incentive determined by the CPUC.

According to the CPUC's "2013-2014 Energy Division-Investor Owned Utility Energy Efficiency Evaluation, Measurement and Verification Plan (Version 4)," all contracts for the 2013 to 2014 program cycle will be handled through the CPUC Contracts Office according to state contracting rules. Solicitations will be posted on "Bidsync" <http://www.bidsync.com>, the state contracting site managed by DGS," but not all of these contracts are administered by the CPUC. Specifically, the investor-owned utilities (IOUs) also issue contracts for EM&V. Each of them use different methods for soliciting and awarding contracts, including "directed award" contracts, master agreements, or Request for Proposals (RFP) through which they administer a

⁷ <http://www.cpuc.ca.gov/PUC/energy/Energy+Efficiency/>

significant amount of contracts (tens of millions of dollars) on behalf of the state. (See Tables at the end of this report from the EM&V Verification Plan that indicates the manager of each study area as either the ED [CPUC Energy Division] or the IOU.)

Because these contracts are outside of the state contracting process, it is unclear how many contracts are executed as direct award contracts, master agreements, or request for proposal (RFP). In addition, the utilities do not make RFPs publicly available or hold public bidding conferences.

Questions

- What contracting requirements does CPUC impose on utilities?
- Should state contracting rules and statutes govern the CPUC's "off the book" contracts?

E. Possible Directed Contracts

It is difficult to obtain documents indicating if the CPUC directed a regulated entity to enter into a contract. For the most part, contracts evaluations of bidders and assessments of qualifications are either confidential or heavily redacted, making it difficult for the public to determine whether the award was made in the interest of ratepayers. For example, it is questionable whether a contract is in the ratepayers' interest when:

- A contract to purchase power is from a company that uses a technology that has not yet been commercialized;
- Contracts awarded to companies that have little or no experience in developing energy projects; or
- A comprehensive research, development, and demonstration program that does not specify deliverables.

Below, and in Appendix B, are examples of contracts that appear unusual, which may or may not be contracts that a utility entered into at the direction of the CPUC.

1. Solaren – Space Based Solar

State law requires IOUs to meet certain goals for renewable generation in their electric generation portfolio. Utilities that fail to meet these procurement mandates are subject to penalties for noncompliance. As a result, the utilities solicit generation through annual request for offers (RFOs). In addition, utilities negotiate contracts outside of the RFO process.

Through a negotiated contract in 2010, PG&E requested CPUC approval of a Power Purchase Agreement (PPA)⁸ to Solaren for a 200 Megawatt (MW) space-based solar generating technology.

If successful, the Solaren project would be the world's first space-based solar power project. Space solar power (SSP) uses satellites in geosynchronous orbit to collect solar energy, which is then transmitted to the ground for conversion into electricity. More specifically, SSP satellites use solar cells to convert the sun's energy to electricity in space. A high-efficiency generator device, such as a magnetron or solid state power amplifier, then converts electricity into radio frequency (RF) energy. The SSP satellite then transmits the RF energy from the satellite's antenna to a receiver on the ground. The receiver directly converts the RF power to electricity, and uses the local power grid for transmission to the utility customer. This project would build a receiving station in Fresno County to receive the RF power. The RF power will then be converted to renewable electricity for delivery to PG&E and its customers.

The engineering challenge of building a SSP plant is not the energy conversion process itself, but the need to engineer and build SSP satellites, which are much larger than current communications satellites.

PG&E deemed information about the price and feasibility of the project(s) confidential.

Questions

- Why did the CPUC approve this PPA?
 - To what extent do CPUC commissioners or its staff engage in directing the regulated corporations to negotiate bilateral contracts?
 - To what extent does the CPUC review ratepayer-funded utility-awarded consultant contracts?
2. 21st Century Energy System (CES 21) – Lawrence Livermore National Laboratory

In July 2011, the three largest IOUs (PG&E, SCE, SDG&E) filed an application to fund a research project with Lawrence Livermore National Laboratories called the CES-21 Project. The objective of the CES-21 project was "to apply computationally-based problem solving resources to the emerging challenges of the 21st century energy system (electric and natural gas) for California." In 2012, the CPUC approved the joint research project between the IOUs and Lawrence Livermore National Laboratories totaling \$152 million over 5 years. The funding was to be allocated from ratepayer funds, and the Executive Director of the research program was intended to be the former CPUC Executive Director Steve Larson.

⁸ http://www.pge.com/nots/rates/tariffs/tm2/pdf/ELEC_3449-E.pdf

The CPUC authorized the creation of an independent oversight board to select projects and conduct day-to-day administration. Some parties objected to delegating the CPUC's authority to an organization not regulated by the CPUC. Moreover, parties raised concerns that the CPUC was approving ratepayer expenses without first determining whether there was a ratepayer benefit. Further, stakeholders questioned why this project was allocated to Lawrence Livermore National Laboratory. The CPUC, however, determined that because it would be reviewing and approving advice letters, which are used to implement CPUC decisions, it was not delegating its oversight.

Ultimately, the three utilities amended the application after the Legislature enacted a statute limiting the use of the funds to cybersecurity and renewable integration research, reduced the authorized funding to \$35 million, and limited the administrative structure of the effort.⁹

Question

- Did the CPUC direct the three IOUs to jointly file a request to conduct a research program at Lawrence Livermore National Laboratories?

3. Contract to University of California for a Greenhouse Gas Research Fund – San Onofre Nuclear Generation Station (SONGS) Settlement

In 2014, the CPUC opened a proceeding to investigate issues related to the closure of SONGS after an incident at SONGS led to a discovery that the replacement steam generators had defects that prevented their safe operation. Some, but not all of the parties in this proceeding filed a settlement in September 2014, including allocation of costs to ratepayers and SCE shareholders for expenses related to the replacement steam generators.

In April 2015, the CPUC released notes from a March 2013 meeting between then-President Michael Peevey and an SCE executive. The notes listed a series of actions that bear a close resemblance to the settlement ultimately approved by the CPUC that was settled by some, but not all of the parties in the SONGS proceeding.

The parties revised the settlement to include an allocation of \$25 million in utility shareholder funds towards a research project at a University of California. The revised settlement appears similar to a comment in the March 2013 notes which states:

Environmental offset: SCE to donate ~~\$5.0~~ \$10 million per year 2014-2022 to ____ [an agreed upon GHG, climate, or environmental academic research fund institution, etc.]

The original settlement did not include this provision.

⁹ California Public Utilities Code Section 740.5

Question

- Did the CPUC have a role in the amendment to the SONGS settlement agreement to include this research program?

Additional examples of questionable contracts are included in Appendix B.

Conclusion

CPUC contracting practices and procedures should be consistent with carrying out the mission of the Commission and the ratepayers' interests. The examples raised in this paper cast doubt on whether the CPUC is following state contracting statutes and rules, or whether the CPUC is providing sufficient oversight and transparency on contracts administered by utilities.

Questions

- To what extent, if any, do CPUC commissioners or their advisors engage in influencing the outcome of competitive solicitations?
- To what extent does the CPUC order regulated corporations to engage in non-competitively bid contracts in lieu of competitive solicitations?
- To what extent does the CPUC use its authority to enter into small contracts (below \$50,000) and then subsequently amend them without public notice or competitive solicitation? Does this violate DGS rules regarding non-competitive contract limits?
- Should the CPUC be exempt from the requirement to use the Attorney General for legal representation?
- Should the CPUC commissioners or staff direct IOUs to enter into non-competitively bid contracts within CPUC decisions, orders, resolutions, advice letters, or other means?
- Should the CPUC contracting practices be subject to additional oversight, restrictions, or transparency requirements?
- Should interveners in CPUC proceedings be required to disclose that they are funded by the programs in the proceeding they are participating in?
- Should contracts administered by the IOUs on behalf of the CPUC be subject to independent audits?
- Should the Legislature request an audit of the CPUC's records with respect to directed and non-competitively bid contracts and those contracts CPUC entities entered into "off the books"?

Appendix A

CPUC 2013-2014 Evaluation, Measurement, and Verification Studies, some of which are directly managed by CPUC Energy Division

Table 1. 2013-2014 EM&V Plan Sector Budgets

[Source: "2013-2014 EMV Plan Study Inventory_v10.xls"; Tab: 13-14 Plan Table Sector]

Sector and Program Area Research Plans	Study Manager	Study Type (Impact, Process, Market)			Total
		Impact	Market	Process	
Residential		\$2,125,000	\$690,000	\$1,265,000	\$4,080,000
	ED	\$2,125,000	\$400,000		\$2,525,000
	IOU		\$290,000	\$1,265,000	\$1,555,000
Small & Medium Commercial		\$1,875,000		\$2,425,000	\$4,300,000
	ED	\$1,875,000		\$2,425,000	\$4,300,000
Industrial and Agriculture, and Large Commercial		\$6,250,000	\$1,150,000	\$400,000	\$7,800,000
	ED	\$6,250,000	\$300,000		\$6,550,000
	IOU		\$850,000	\$400,000	\$1,250,000
HVAC		\$5,250,000	\$2,100,000	\$250,000	\$7,600,000
	ED	\$5,250,000	\$1,350,000		\$6,600,000
	IOU		\$750,000	\$250,000	\$1,000,000
Codes & Standards and Zero-Net Energy		\$3,180,000	\$1,807,500		\$4,987,500
	ED	\$3,180,000	\$120,000		\$3,300,000
	IOU		\$1,687,500		\$1,687,500
Integrated Demand Side Management (IDSM)		\$92,000	\$80,000	\$188,000	\$360,000
	ED	\$92,000		\$188,000	\$280,000
	IOU		\$80,000		\$80,000
Workforce Education and Training (WE&T)		\$350,000	\$100,000	\$235,000	\$685,000
	ED	\$350,000	\$100,000		\$450,000
	IOU			\$235,000	\$235,000
Marketing, Education & Outreach (ME&O)			\$200,000	\$500,000	\$700,000
	ED		\$200,000	\$500,000	\$700,000
Emerging Technologies			\$90,000	\$515,000	\$605,000
	ED			\$250,000	\$250,000
	IOU		\$90,000	\$265,000	\$355,000
Government Partnerships and Regional Energy Networks		\$550,000	\$525,000	\$890,000	\$1,965,000
	ED	\$550,000	\$400,000	\$300,000	\$1,250,000
	IOU		\$125,000	\$590,000	\$715,000
Lighting		\$2,250,000	\$1,710,000	\$1,050,000	\$5,010,000
	ED	\$2,250,000	\$1,710,000		\$3,960,000
	IOU			\$1,050,000	\$1,050,000

Appendix B – Additional Possible Directed Contracts

Advanced Microsystems Energy Storage Contract

In February 2013, the CPUC authorized SCE to procure energy for local needs in a specific region served by SCE with local electrical capacity constraints. The CPUC decision allowed up to 1,000 MW but no more than 1,200 MW of gas fired resources, at least 50 MW of energy storage, and at least 150 MW of "preferred resources." On November 5, 2014, SCE announced it was awarding contracts, including one contract to Advanced Microgrid for up to 50 MW of energy storage systems. Advanced Microgrid was incorporated on August 23, 2013, in Delaware. The California Contractors License Board does not show a listing for either Advanced Microgrids or Ms. Susan Kennedy in its database of licensed contractors. The evaluation of the bids received by SCE is not publicly available in the CPUC's docket or on the SCE website.

The results of the bids submitted in response to the SCE solicitation are confidential.

Question

- To what extent was the CPUC involved in the award of this contract and what was the nature of the involvement?

California Technical Forum Contracts

As noted in Section B of this paper, the CPUC has authorized \$1 billion annual budgets for energy efficiency programs that are administered by the IOUs, community choice aggregators, and regional energy networks. The administrators have some flexibility in their specific activities as long as the overall portfolio of programs meets CPUC-specific cost effectiveness tests.

Beginning in 2013, PG&E awarded a non-competitively bid contract to a Chicago-based organization, Future Energy Enterprises, for the planning and launch/implementation of the California Technical Forum (Cal TF).

The CPUC informed the Assembly Committee on Utilities and Commerce that contracts with Future Energy Enterprises were in the following amounts for the following time periods:

- Cal TF Development contract: \$630,000 for May 2013 to June 2014; and
- Cal TF Launch and Implementation contract: \$760,000 for July 2014 to December 2015. This contract was originally \$400,000 with an expiration date of December 2014. It was extended to December 2015, and increased by \$360,000 when the decision to hold the RFP was made.

According to the California TF website:

[Cal TF] is a collaborative of experts who use independent professional judgment and a transparent, technically robust process to review and issue technical information related to California's integrated demand side management portfolio. The Cal TF was created in 2014 by a broad group of stakeholders and is funded by participating program administrators.

Cal TF's 2014 Business Plan¹⁰ lays out "tactics" to obtain funding from ratepayers.

In 2015, the Natural Resources Defense Counsel (NRDC) formally introduced the concept of the Cal TF in its comments in the CPUC's current energy efficiency proceeding¹¹ urging the CPUC to authorize ratepayer funding of the Cal TF.^{12, 13}

The NRDC's comments mention other groups that may also have been formed via CPUC direction:

To clarify, the [Cal TF Coordinating Council] would play an important role in providing informal feedback on portfolio design and implementation, but the specific vetting of PAs' [Program Administrators] sector and sub-sector activities would fall to the subject matter experts often convened in topic-specific groups whether Commission directed or otherwise created (e.g., Western HVAC Performance Alliance, the Energy Upgrade California –Home Upgrade Subgroup, or the Plugload working group.)

It is unclear whether another organization is necessary to achieving energy efficiency goals. Other organizations funded by ratepayers that appear to overlap with each other include:

- California Statewide Energy Efficiency Collaborative (www.californiaseec.org);
- California Commissioning Collaborative (www.cacx.org);
- Emerging Technology Coordinating Council (www.etcc-ca.com); and
- Western HVAC Performance Alliance (www.performancealliance.org).

¹⁰

<http://static1.squarespace.com/static/53c96e16e4b003bdba4f4fee/t/54a7297ee4b01e05d9ac64df/1420241278667/2014+DRAFT+Cal+TF+Business+Plan+ver++10+1.pdf>

¹¹ <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M150/K853/150853227.PDF>

¹² <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M149/K902/149902369.PDF>

¹³ <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M090/K386/90386438.PDF>

Questions

- Does the CPUC review utility contracts to ensure that ratepayer funds are spent in a manner that benefits ratepayers?
- Does the CPUC review utility contracts to ensure that the work does not overlap with other work already under contract?
- Does the CPUC review whether the participants in the organizations are currently receiving ratepayer funding through other contracts to ensure that “billable hours” are reasonable?
- To what extent does the CPUC review non-competitively bid contracts awarded by utilities?

The Energy Coalition

The Energy Coalition receives ratepayer funding through contracts funded through energy efficiency programs.

According to the CPUC Energy Division:

CPUC oversight of the [energy efficiency] portfolios, it does not happen at the contract level. The Commission sets goals, authorizes budgets, requires cost-effective portfolios, gives some direction regarding what types of programs to do or try (multi-measure home upgrade programs rather than measure-specific treatments, the Regional Energy Networks, the requirement that 20% of their portfolios must be bid out via competitive solicitation, etc.) and what not to include (e.g., “reduce [Compact Fluorescent Lights] by X% per year”). We also set various limits (e.g., caps on admin costs, etc., or that once we adopt a portfolio, they can’t shift more than a certain percent of funds from one area to another without coming in with an advice letter). The IOUs have the latitude to manage their portfolios as they see fit to meet their savings goals within the various constraints the Commission has set.

Within a proceeding at the CPUC, the CPUC's Utility Audit Finance and Compliance Branch (UAFCB) proposed a requirement that IOUs collect actual cost data from third-party contractors operating under fixed-price performance-based contracts following an audit of SCE's energy efficiency expenditures.¹⁴ SCE, PG&E, and a trade organization representing energy efficiency consultants object to this proposal. The dispute is ongoing.

In May 2015, a news story surfaced which reported that the CPUC Energy Division Deputy Director was travelling on a study tour to Japan sponsored by The Energy Coalition. The CPUC was asked to find out whether ratepayer funds were used for this study tour. The CPUC asked The Energy Coalition and it said:

¹⁴ http://www.cpuc.ca.gov/NR/rdonlyres/3537F162-863A-4D00-8320-929EF299835F/0/SCE_EE_Financial_Comp_Report.pdf

- Out-of-state travel and out-of-country travel-related expenses for its Aspen Accord study tours are paid from the retained financial assets of the organization; and
- California ratepayer funds have never been used to fund any out-of-state or out-of-country travel by Energy Coalition staff to implement energy efficiency portfolio programs.

According to the Energy Coalition, sources of retained financial assets **have** included contracts with cities and counties for energy program implementation (including completion of projects funded by the American Recovery and Reinvestment Act); contracts with private companies for energy services; contracts with publicly-owned utilities; contracts with California and out-of-state IOUs for energy education, demand response and energy efficiency services; charitable contributions from donors and members; and the life insurance proceeds received by The Energy Coalition upon the death of its founder in 2008.

Questions

- If the CPUC does not have information on how the energy efficiency dollars are being spent, how does the CPUC provide adequate oversight over whether the program is delivering results?
- Should the IOUs be compelled to provide actual cost data on third party contracts?
- Should the CPUC and the IOUs publicly disclose use of ratepayer funds for travel outside of California or the country?