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- NOTES: 1. Per your instruction in your e-mail dated 29 August 07
2. These comments are typed in, so it must be assumed that some spellchecking and minor editing will occur. Since I will not actually read each word to the Board, it must be assumed that some other minor variation will occur.
3. This comment is all verbal, no slides.

5 Sep 07 LIOB Comments of Robert E. Burt,
Executive Director, Insulation Contractors Association

Centuries of experience have demonstrated that ^{contract} bidding is the most economical way to accomplish work of a routine nature. The very process creates a body of experienced contractors who can be depended upon to submit realistic bids and to do the job in a workmanlike manner. It should not even be an issue for routine work under Commission auspices to be bid. That should be AUTOMATIC. ^{Let me be clear, I refer to bidding the actual work, moving admin. costs to the project funds} However, the bidding process does put a burden on the contracting authority. First, to conduct the bidding and awards in a fair and open manner; with all bid documents and their related enforcement practices well known to the bidders; the award action itself timely and fair. Past experience dictates the comment that NEW ground rules, not originally made part of the bid documents, CANNOT be enforced without renegotiation of the contract. The contract is the contract, no more. New rules, no matter how brilliant, do not automatically become part of the contract.

The administrator then must inspect the work, at the contractor's schedule, where important work may be covered up (such as ^{before} concrete or wall placement); otherwise unscheduled. There must be a reasonable method for

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resolving differences with the contractor, probably using the good offices of the Commission on occasion. Payment to contractors must be done in a manner that accommodates both contract compliance and reasonably prompt reward for work done. To require contractors to prepare their bids on the assumption that they will finance the job, even well past completion, is simply to add unnecessarily to costs. The cost of funds to contractors is MARKEDLY greater than to the utilities.

Much of this administrative effort is eased or eliminated when the work is awarded by means of a friendly negotiation process, happily, where there are political rewards for such action. Administrative award will normally remove the heavy price pressure from the contractor, usually making simple the job of inspection and dispute resolution. The temptation to ease the contracting burden in this manner must be strong, since it often happens. We have little sympathy with such action, in view of the rather large administrative staffs maintained by the utilities; much of which action is responsive to internal rules of dubious value. This easing of the administrative burden by negotiation comes at a COST: less work is done for the same money.

All the forgoing discussion is not just theoretical. The best demonstration can be seen from what happened when SoCalGas was ordered by the Commission to cease administrative award of contracts and go to bidding. The result was that the work was done at lower cost. More of SoCalGas customers benefited from the same amount of available project funds.

The quality of the work did NOT go down. The way we can be sure of this is that SoCalGas passionately argued against bidding, even after ordered to do so by the Commission. So we know they had every incentive to closely inspect the work and then to triumphantly announce that quality had gone down. No such announcement (triumphant or otherwise) was made, nor did the contractors doing the work feel adverse inspection or dispute pressure.

IN SUMMARY, CENTURIES OF EXPERIENCE, INCLUDING ON WORK

FOR THE COMMISSION, DEMONSTRATE THAT IT SHOULD BE
AUTOMATIC POLICY TO BID WORK OF A ROUTINE NATURE.

Questions