

## Integrating Local Community Interests into Utility DER Procurement

A guest post from [Guidehouse's Energy, Sustainability, and Infrastructure practice](#), by Katie Bertcher, Stuart Schare, Debyani Ghosh (Guidehouse) and Kimo Spector (PSE)

As utilities [ramp up clean energy spending](#) to meet increasingly ambitious decarbonization targets, advocates and regulators alike want to ensure the energy transition includes benefits for marginalized and impacted communities. There is growing interest in ensuring that investments in renewable energy, resiliency, and distributed energy resources are spent not only efficiently but also equitably. Goals such as investing within the community, engaging local and minority owned businesses, and reaching target groups are becoming high priority. As utilities move to acquire DERs to fill decarbonization and resiliency objectives, how can utilities engage communities to be active contributors to and beneficiaries of utility resource procurement?

### Community and Equity at GridFWD 2022

The concept of “community” was a stand-out theme at the 2022 GridFWD conference. Attendees of the GridFWD 2022 huddle session “*Creating Resiliency through Community Engagement*” heard from panelists and participants about the types and depth of community engagement needed for equitable and effective grid investments. In the session, participants discussed the following framework from Movement Strategy.org for defining levels of community engagement from lowest to highest (Figure 1 below)

Figure 1. Framework for Community Engagement



Source: <https://movementstrategy.org/resources/the-spectrum-of-community-engagement-to-ownership/>

Many utility resource procurements, and regulatory proceedings generally, engage stakeholders only at the lowest tiers—informing and perhaps consulting or otherwise involving community members, but rarely collaborating or deferring to community preferences. The highest tiers of the framework all involve the community playing an active role with continuous engagement.

**In order to achieve meaningful collaborative and equitable outcomes, utility resource procurement processes need to actively and deliberately support community partners.**

While active, continuous engagement is a positive for local interests, the GridFWD 2022 panelists suggested that when the community is engaged at this level, there is risk in burning out community contacts with long meetings and unspecified asks. One major takeaway from the huddle was that the most vulnerable communities are often served by the most understaffed and underfunded organizations. Utilities must provide some form of compensation to their community partners and be mindful of the time, or lack thereof, that these partners have to engage beyond their day-to-day work.

### **Integrating Community into Grid Investment Processes**

When working with established processes and procedures, it can be difficult to imagine how the community can be integrated into the existing highly structured systems. Including community partners in resource procurement efforts is one way to directly integrate these important stakeholders into DER investments, and it holds many benefits such as:

- Developing DER investments in the community by using local small businesses
- Gaining access to the knowledge and talent from local vendors to provide better targeted or customized services more effectively than large national/international vendors
- Drawing from a larger and more diverse pool of experience by engaging both the large national/international players and the small local vendors, thereby increasing procurement effectiveness

However, there are significant barriers to local partner participation. Existing resource procurement methods are geared towards large, established vendors, and RFPs often require turnkey solutions which small local businesses may not have the capacity to deliver. Additionally, those small local businesses may not have bandwidth to respond to detailed proposal requirements for a project that is not a sure selection. How do you engage both groups in an equitable and effective manner for a DER or resiliency procurement?

## PSE's Small Business and Community-Focused Resource Procurement

Puget Sound Energy and Guidehouse [tackled the issue of equitable resource procurement](#) head on in PSE's [2022 Targeted DER RFP](#). Larger established businesses and smaller local or community-focused entities inherently bring different strengths and limitations. Large businesses may bring broad experience and the financial resources needed to see a program implementation through, but may be unfamiliar with the local area. On the other hand, small local businesses tend to offer great strength in one area, while not necessarily being able to provide a viable turnkey bid.

To open the door for strong small business bids, PSE bifurcated the RFP into two categories—a Category A for large businesses bidding turnkey solutions; and a Category B for small entities bidding one or more parts of the total solution such as marketing & customer enrollment, equipment installation, or program administration. PSE proactively identified and invited entities from the targeted demographic to participate in the RFP, and they lowered the barriers to entry in order to attract more and smaller participants.

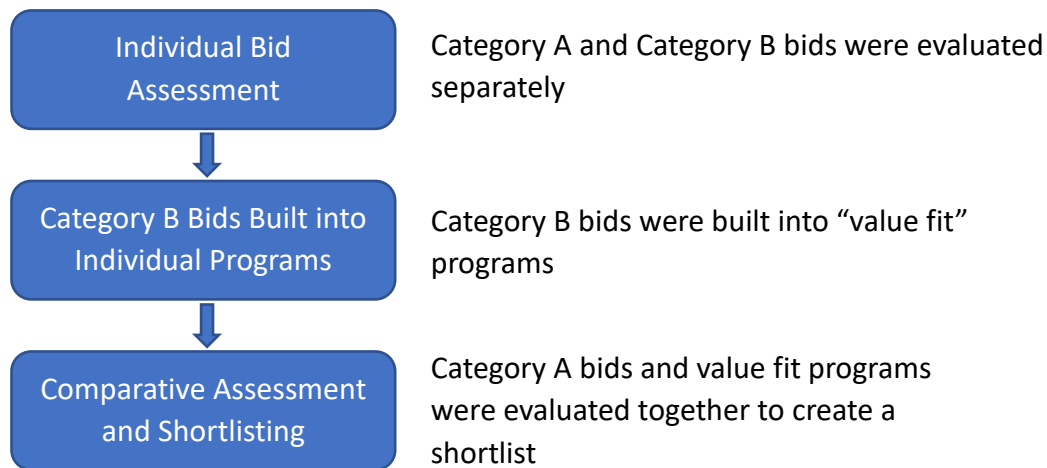
**PSE engaged local vendors and community organization by bifurcating its DER procurement RFP into separate tracks for large and small players, proactively inviting smaller local and community-focused entities to participate in the RFP, and lowering the barriers to entry.**

**Vendor recruitment.** Including opportunities for small businesses to bid in an RFP requires additional outreach. Large businesses are already on the lookout for RFP opportunities, whereas small businesses may be less likely to seek out RFPs and be less familiar with the procurement process. To mitigate this issue PSE sent a blast email to their list of community partners notifying them of the RFP and inviting them to the bidder conference.

Additionally, PSE designed Category B with the consideration that small businesses and community organizations are less likely to have the staffing overhead to be able to prepare a bid in the same level of detail as a larger business. In the initial bid phase, Category B bidders needed only to provide general information, which increased in specificity as they progressed through the evaluation process. Additionally, PSE Partnered with Business Impact NW to help with proposal development for small businesses that needed assistance, further lowering barriers to the RFP for businesses unfamiliar with the utility procurement process by providing resources to bridge that gap.

**Value assessment.** To accommodate the two-track process, evaluation of bids was split into stages, as shown in Figure 2 below. The “value fit” programs were developed by a designated team at PSE separate from the evaluation team. These value fit programs included a Category B offering plus capabilities from PSE itself and/or capabilities from the Category A vendors to form a complete solution for one or more of PSE's Clean Energy Implementation Plan programs.

Figure 2. Value Assessment Process



There were both successes and challenges to this novel procurement process. Some local small businesses that bid into Category B expressed that they would not otherwise have been able to participate in the RFP, which indicated a measure of success for the inclusive RFP model. However, some bids were received in Category B from relatively large businesses beyond the local community, which somewhat counteracted the purpose of the dual bidding tracks and added more work to the evaluation process.

### Looking Ahead

For utilities seeking to implement this type of procurement process, there are important takeaways and lessons learned from this RFP. First, the utility must prepare for the “program developer” role required by this type of procurement. When trying to manage potential sub-contractors and build out a proposal through the value fit process, PSE found it challenging to manage a lot of the vision and connective tissue needed to make a complete program. A utility should decide at the start if they just want to be an off-taker or are prepared for the additional challenge of being a developer.

Additionally, the utility should consider providing small business bidders with the program design upfront, and explicitly explain how they would slot into it. A large effort needs to be made early in gathering contacts and educating those potential bidders on what the procurement is seeking. Based on their experience with this RFP, PSE recommends providing clear narrow instructions on what small business roles will be rather than, for example, a blanket “outreach and enrollment” for any type of resource.

PSE’s current Distributed Solar and Storage RFP does not incorporate the two-category model. However, PSE may seek to implement the two-category model or similar procurement tactic in the future.

In the end, PSE was able to utilize Category B to attract bids from small and/or community entities and parlay them into a potential value fit program as well as develop relationships for future consideration in supporting programs rollouts. In its initial iteration, PSE’s novel approach to resource procurement proved successful in increasing local community engagement to genuinely become part of the solution, and provides a strong example from which to develop further community centered procurement methods.