

Decision 84 03 057

MAR 21 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for Authority to Increase its Electric and Gas Rates and Charges effective January 1, 1984, in Accordance with the Conservation Financing Adjustment (CFA) Authorized in Applications 59537, 60701, and 82-09-17 for Operation of a Zero-Interest Program (ZIP) of Conservation Financing, including a Weatherization Rebate Component and a Direct Weatherization Component.

(Electric and Gas)

Application 83-08-65
(Filed August 26, 1983)

Application of PACIFIC GAS AND ELECTRIC COMPANY to Decrease its Electric Rates and Charges and Increase its Gas Rates and Charges Effective January 1, 1984, for Operation of a Residential Conservation Services (RCS) Program as Authorized in Applications 60700 and 82-09-18.

(Electric and Gas)

Application 83-08-66
(Filed August 26, 1983)SECOND INTERIM OPINION

These applications concern programs by Pacific Gas and Electric Company (PG&E) under its conservation financing adjustment for operation of a Zero-Interest Program (ZIP) of conservation financing, and the residential conservation services (RCS) program of residential energy audits as required by federal law.

On November 22, 1983 we issued Decision (D.) 83-11-060 requiring PG&E to continue to fund and operate all ZIP and RCS

programs at 1983 levels pending our final order. Eight days of hearings on all issues were held before ALJ Meaney in February and March of 1984. The proceeding was submitted subject to the filing of briefs on March 2.

On February 8, one week before the first day of hearing, PG&E filed a written motion for another interim order stating that in its opinion the subject matter is important enough that the Commission should act without waiting for full briefs on all issues and the time necessary to prepare and consider a final decision. Staff supports the motion and no party opposes it.

Specifically, PG&E requests: (1) authorization to finance wall insulation in all residences and floor insulation in electrically heated residences without the requirement of a prior energy audit, and (2) authorization which will enable PG&E to sustain the current pace of direct weatherization work during the early months of 1984 until the final decision issues.

Insulation Financing

A customer must currently obtain a recommendation in an RCS audit before wall insulation can be financed through ZIP. (Pacific Gas & Electric Co., A.59537, D.92653, January 28, 1981.) The audit was intended to assure cost-effectiveness, and paralleled state tax law which required a prior audit recommendation to qualify wall insulation for tax credits.

Assembly Bill 2158, effective January 1, 1984, reclassified wall insulation in all residences and floor insulation in electrically heated residences as conservation measures which require no prior audit to determine cost-effectiveness to qualify for a state tax credit. According to the application, this action was based on a legislative finding that these measures are cost-effective when installed in the specified dwellings.

PG&E asserts that our treatment of wall insulation should parallel state law, and that deletion of the audit requirement will "eliminate the marketing barrier" which the audit requirement imposes. PG&E states that the proposed change will have minor impact on ZIP costs, but notes that deletion of the audit requirement will necessitate setting specific dollar limits, since those limits are now part of the RCS audit. PG&E recommends the following, based upon the testimony of its witness on the subject:

<u>Item</u>	<u>Single-family</u>	<u>Multi-family</u> (per unit)
Wall insulation	\$920	\$395
Floor insulation	745	270

Direct Weatherization

Our first interim order in this proceeding authorized PG&E to continue to operate ZIP, including the direct weatherization (DW) component at the 1983 level. PG&E cites the fact that the current pace of DW installations exceeds the 1983 year average pace substantially. PG&E wishes to maintain the current pace. Its motion for an interim order (pp. 7-8) states:

"If only an average pace is to be used, PGandE will be able to continue to offer direct weatherization services, but at a total monthly cost not to exceed \$1.6 million (calculated by dividing the 1983 direct weatherization budget of \$19.2 million by twelve). Mr. Dickenson [PG&E's witness] noted that allowing for Cal-NEVA's administrative fees and utilizing current data on average cost per home weatherized, this would result in approximately 2,400 homes being weatherized systemwide per month, a figure which would compel a 60% reduction in productivity because of the high current systemwide rate of production which has been achieved.

"On the other hand, if the current pace can be maintained, PGandE will be able to contract with Cal-NEVA to continue direct weatherization at the current production rate until a decision is rendered in this proceeding. Under this approach, however, PGandE would not exceed a

total of \$19.2 million in overall direct weatherization expenditures, since that figure represents the 1983 direct weatherization budget."

Discussion

We believe PG&E's motion is well taken and we will delete the audit requirement. While PG&E's upper limits are satisfactory, further safeguards are necessary. We will establish cents-per-square-foot limits as recommended by staff witness Grove (Exh. 37) and as previously adopted in Southern California Gas Co. (A.83-09-23, D.83-12-061, December 20, 1983). These are as follows:

Floor insulation (R-11 or more)	50¢/square foot (for all approved materials)
Wall insulation (R-11 or more)	80¢/square foot (for all approved materials)

Regarding DW, we see nothing in D.83-11-060 which requires PG&E to cut the year into months and not to exceed one twelfth of the annual budget in each month. We will make this clear in the order. If the annual budget is spent ahead of time, however, neither PG&E nor the various interested parties should presume that we will augment it.

This matter did not appear on the public agenda as provided by the Government Code because a bona fide emergency exists sufficient to require our action without such notice under PU Code § 306(b), in that our ZIP program for PG&E should be brought into conformance with state law.

Findings of Fact

1. Currently, an RCS audit finding wall insulation cost-effective is required before it can be financed through ZIP.
2. State law changed on January 1, 1984, and based on legislative findings, wall insulation was classified as an effective conservation measure in all residences, while floor insulation was classified as effective in all electrically heated residences, requiring no prior audit to qualify for state tax credit.

3. PG&E's proposed dollar limits in place of RCS audit findings are reasonable, with the addition of cents-per-square-foot limits.

4. PG&E's current pace of DW installations exceeds the 1983 average pace. It is to the advantage of the DW program to maintain the current pace.

5. Staff supports, and no party opposes, PG&E's motion.

Conclusions of Law

1. Our treatment of wall and floor insulation should parallel state law, and PG&E's proposed dollar limits, with the addition of cents-per-square-foot limits, should be substituted for an RCS audit requirement.

2. PG&E is not required by our prior order to divide the year into monthly segments in expending its DW budget, and should maintain the current pace of DW installation provided that the annual budget is not overspent.

3. Since no party opposes this order, and to assure that the DW program will continue at its current rate, the order in this decision should be effective immediately.

SECOND INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to terminate the RCS audit requirement as a condition precedent to ZIP financing of wall insulation in residences, and floor insulation in electrically heated residences, and shall substitute the maximum dollar amounts and cents-per-square-foot limits set forth in the opinion as maximums for such financing.

2. PG&E is authorized to proceed with DW installations at the current rate, provided that the annual budget is not overexpended. This order is effective today.

Dated MAR 21 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO

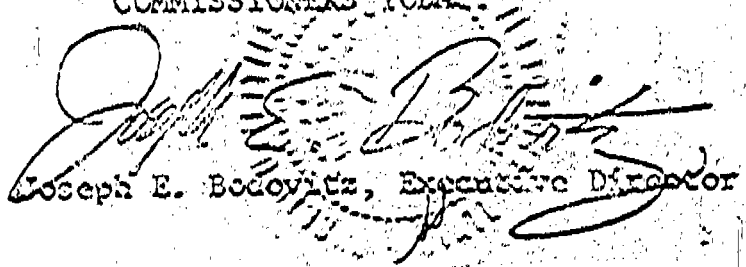
PRISCILLA C. GREW

DONALD VIAL

WILLIAM T. BAGLEY

Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director