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ORIGINAL

Decision 84 CS 036

AUG 1 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of the SOUTHERN CALIFORNIA EDISON
COMPANY for Authority to: Increase
its Conservation/Load Management
Adjustment Billing Factor; to Make
Certain Changes to its Base Rates
and Certain Other Rate Levels to
Conform to the Rate Design Criteria
Set Forth in Decision No. 82-12-055
or the California Public Utilities
Code; to Make Certain Changes to its
Conservation/Load Management Adjust-
ment Clause Tariff; and to Review
the Reasonableness of Edison Expend-
itures Reflected in the Conservation/
Load Management Adjustment Clause in
1983.

Application 83-12-02
(Filed December 1, 1983;
amended June 29, 1984)

Carol B. Henningson, Larry C. Mount, and Clyde
E. Hirschfeld, Attorneys at Law, for
applicant.

Fred John and Tom Clarke, Attorneys at Law, and
Marcia Secord, for Southern California Gas
Company, interested party.

James S. Rood and Timothy E. Treacy, Attorneys
at Law, George A. Amaroli, and Sandra French,
for the Commission staff.

O P I N I O N

Summary

This decision increases the Conservation/Load Management Adjustment Billing Factor from 0.026 to 0.094 cents per kilowatt-hour for an estimated annual revenue increase of \$38,369,000, provides for modifications to Southern California Edison Company's existing conservation programs to effect greater energy savings, and permits minor modifications to its Conservation/Load Management Adjustment Clause tariffs.

I - BACKGROUND

Applicant Southern California Edison Company (Edison) seeks an order granting it authority to: increase its Conservation/Load Management Adjustment Billing Factor (CLMABF); to change its rate levels to conform to the rate design criteria set forth in Commission decisions and the Public Utilities Code (PU Code); and to make certain changes to its Conservation/Load Management Adjustment Clause (CLMAC) tariffs.

Edison also requests findings that the recorded and proposed levels of conservation and load management expenses are reasonable.

After due notice public hearings were held before Administrative Law Judge N. R. Johnson in Los Angeles on March 27, 1984, and the matter was submitted. Testimony was presented on behalf of Edison by its supervisor of solar programs in the Conservation and Load Management Division of the Customer Service Department, Don F. Sedan,^{1/} by the manager of the conservation program within the Conservation and Load Management Division of the Customer Service Department, Margo A. Wells, by the supervisor of regulatory economics in the Regulatory Cost Division of the Revenue Requirements Department, John L. Jurewitz,^{1/} and by two rate specialists in the Revenue Requirements Department, David R. Hinman^{1/} and Peter S. Goeddel;^{1/} on behalf of staff by public utilities regulatory analyst Sandra French and by research program

^{1/} Commission staff (staff) review of Edison's testimony and exhibits revealed no substantial issues, so the testimony and exhibits were incorporated into the record without the physical presence of the witness.

specialist Carl B. Blaubach;^{2/} on behalf of Sun Mizer Contracting Company (Sun Mizer) by its president, Kenneth Mize; and on behalf of the Insulation Contractors Association (ICA) by the president of Progressive Insulation Company, Steve Anderson.

On June 20, 1984, the presiding administrative law judge issued a ruling setting aside submission of the matter and setting an additional day of hearing, July 11, 1984, on the limited issue of the cause and amount of the difference in presently anticipated funding levels of \$38.4 million on an annualized basis above present rate revenues as compared to the original revenue increase request of \$14.1 million.

Preparatory to the additional day of hearing Edison filed an amended application and supplementary exhibits addressing the forecast of the operations for Residential Conservation Services (RCS) programs in 1984, the forecast of the operations for Residential Conservation Financing Program (RCFP) in 1984, and a rate proposal for an August 1, 1984 revision date. These supplementary exhibits were presented into evidence at the July 11, 1984 hearing date by Edison witnesses, Peter S. Goeddel, David R. Hinman, and Margo A. Wells.

In addition to reflecting higher revenue requirements, the amended application requested that this Commission adopt a CLMABF based upon a five-month forecast (August through December 1984) of the expenses associated with the specified programs authorized for inclusion in the CLMAC and a 12-month

^{2/} Edison's review of staff witness's testimony and exhibits revealed no substantial issues; therefore, the testimony and exhibits were incorporated into the record without the physical presence of the witness.

amortization of the estimated August 1, 1984 balances in the three specified program balancing accounts included in the CLMAC which reflect recorded revenues and expenses. The changes in rate levels are proposed to become effective for electric service rendered on and after August 1, 1984.

II - GENERAL

In general, the purpose of the application was to demonstrate the reasonableness of amounts expended in 1983 for the specified conservation programs and to establish a 1984 funding level based on the continuation and/or modification of the existing programs. In support of this request Edison included with the application exhibits and testimony relating to offset filings for the solar rebate demonstration program (SRDP), the RCS, and the RCFP, together with a rate proposal to accomplish such offsets. Staff's Energy Conservation Branch made a comprehensive analysis of Edison's showings and issued one report on the RCFP and the RCS programs and another report on the SRDP. These reports included staff's recommendations on the resolution of Edison's proposals. Edison reviewed staff's recommendations and accepted the majority of the recommendations as reasonable. The items with which Edison did not concur were outlined and explained in rebuttal testimony introduced as evidence at the hearing. Staff reviewed Edison's rebuttal testimony and generally concurred with the revised proposals as indicated by an additional staff exhibit responding to Edison's rebuttal testimony, which was also entered into evidence at the hearing. As a result, Edison and staff agreed at the hearing that any remaining differences were of no consequence.

III - SOLAR REBATE DEMONSTRATION PROGRAM

History

Decision (D.) 92251 dated September 16, 1980 on our investigation into the feasibility of establishing various methods of providing low-interest, long-term financing solar water heating systems for utility customers (Order Instituting Investigation 42) authorized Edison to participate in the SRDP. Edison has subsequently filed applications yearly seeking increases in rates to offset the costs of implementing the program. D.92853 dated April 1, 1981, D.82-08-011 dated August 4, 1982, D.82-10-068 dated October 10, 1982, and D.83-11-059 dated November 11, 1983 authorized increases for the calendar years 1981, 1982, and 1983, respectively. These decisions related solely to adjustments to the Edison CLMAC to recover solar rebate program expenses.

Request

With respect to the SRDP, Edison requests:

1. The Commission authorize a Specified Program Expense Rate of 0.001c/kilowatt-hour (kWh), and the resultant Current Specified Program Rate of 0.001c/kWh to be made effective for service rendered on and after August 1, 1984.
2. Authorization to modify the CLMAC provision of its tariffs to reflect a separately identified balancing account and related rate development for SRDP.

3. A finding that the expenses incurred in 1983 for SRDP are reasonable.
4. A finding that future rebate offsets should be included in general rate increase proceedings starting in 1985.

1983 Expenses

Staff takes no exception to the 1983 recorded total solar expenses of \$1,271,100 consisting of the following:

<u>Item</u>	<u>Amount</u>
Customer Rebates	\$ 621,500
Administrative	400,600
Evaluation	58,600
Low Income	<u>190,400</u>
Total	\$1,271,100

Customer rebates of \$621,500 exceeded staff estimates of \$578,000 but, since it simply reflects rebate money expended, staff takes no adverse position to this item. The administrative expense of \$400,600 represents a cost of \$365 a unit for 1,097 units as contrasted to an estimated expense of \$472 per unit. Consequently staff accepts this amount as reasonable.

The \$58,600 evaluation expense was \$8,800 less than authorized and staff's review indicated the amount to be reasonable. Edison was authorized to spend \$447,436 for low income grants to complete the program of approximately 300 solar systems. However, during 1983 all except 96 systems were installed and approved for payment for a cost of \$190,400. In total, the above-itemized 1983 solar program costs at an experienced unit cost much lower than expected appear reasonable and will be adopted for the purposes of this proceeding.

1984 Expenses

The following tabulation summarizes the 1984 solar forecast expenses presented into evidence at the hearing on March 27, 1984 as proposed by Edison and recommended by staff:

<u>Item</u>	<u>Edison</u>	<u>Staff</u>
Customer Rebates	\$525,000	\$480,000
Administrative:		
Staff Labor Expenses	34,000	34,000
Field Labor Expenses	58,000	58,000
Communications	6,000	6,000
Data Processing	22,000	22,000
Contract Inspections	16,000	13,600
Evaluation:		
Consultant	20,000	40,000
Submetering	16,000	0
Low Income Grants	<u>187,000</u>	<u>187,000</u>
	884,000	840,600

With respect to customer rebates, Edison's estimate includes \$150,000 of rebates for 1984 actually expensed in 1983. Staff, therefore, decreased Edison's 1984 expense by this \$150,000 to reflect the actual year expensed. Similarly staff increased the 1984 amount by \$105,000 to reflect 1985 estimated expenses that will actually be expensed in 1984, making a net downward adjustment of \$45,000.

Edison's estimate of \$16,000 for contract inspections reflected a 90% reinspection factor. Staff believes that by exercising care at the initial inspection Edison could reduce inspections to a 45% factor and used this amount to reduce this estimated expense amount to \$13,600.

Edison's evaluation expense was based on an estimate of \$20,000 consultant fees and \$16,000 for removal of submetering equipment in 1984. Staff believes the equipment should not be removed until 1985 in order to effectively evaluate data from

four participating utilities on a statewide basis. Under these circumstances staff believes the consultant's fee should be increased to \$40,000 to extend the consultant's contracts and the submetering expense of \$16,000 should be deleted. We are persuaded that staff's position and expense estimate, as described above, are reasonable. The specified program SRDP-estimated expense for the five-month period August 1, 1984 through December 31, 1984 reflecting the above factors is \$309,000 which we adopt as reasonable. The estimated balance in the balancing account associated with SRDP as of August 1, 1984 is an \$11,000 undercollection resulting in a balancing rate of 0.000¢/kWh.

Edison requests that future funding for its solar program be included in its general rate cases to negate the need for Edison to file an annual application. Staff believes this request has merit and should be adopted. We agree.

IV - RESIDENTIAL CONSERVATION SERVICES PROGRAM

Background

The RCS program was implemented by investor-owned California utilities including Edison as a result of the National Energy Conservation Policy Act 42 U.S.C. 8201, et seq. The State Energy Resources Conservation and Development Commission (CEC) was

designated by the Governor as the lead agency for the program in California. In its role as lead agency CEC established a State plan which was approved by the Department of Energy on December 29, 1980 and implemented systemwide by Edison in June 1981. Edison completed 15,258 RCS audits at a cost of \$5,245,800 in 1981, 36,113 RCS audits at a cost of \$7,023,400 in 1982, and 64,295 RCS audits at a cost of \$5,460,085 in 1983.

Edison's proposed goals for 1984 are 57,805 RCS audits, 1,355 of which will be performed in the low-income market. An additional 11,760 audits, which has been revised to 4,105 for 1984, were to be performed through the Santa Monica Audit Program.

Edison's Multifamily Audit Program (MFAP) for apartment buildings of five or more units began April 1, 1983.

In 1984 Edison is proposing to expend \$1,092,200 to complete 3,660 Common Area Audits through MFAP resulting in 52,500 tenant contacts.

The Santa Monica Audit Program stems from an agreement between the City of Santa Monica (City), Southern California Gas Company (SoCal), and Edison. The agreement specified that a minimum of 11,760 audits be performed in a 14-month period. The City will complete the audits, which will include the installation of several conservation devices, and each utility will reimburse the City for a portion of the total cost. D.83-11-064 dated November 22, 1983 on Edison's Application (A.) 83-08-08 for a RCS program contract between Edison, SoCal, and City and SoCal's A.83-08-33 for a RCS program in the City of Santa Monica authorized Edison and SoCal to carry out the agreement entered into with the City whereby the City will perform RCS audits and install specific conservation measures. It was anticipated that audits would begin by June 1984. However, as subsequently discussed, implementation of the program was delayed.

The 1983-approved RCS funding is \$6,139,240 with an anticipated expenditure for that year of \$5,957,550 and an anticipated expenditure level of \$6,637,800 for 1984 including RCS's, MFAP's, and City's RCS programs.

Request

Edison requests:

1. Authorization of a specified program expense rate of 0.014¢/kWh, a balancing rate of 0.002¢/kWh, and the resultant current specified program rate of 0.016¢/kWh be made effective for service rendered on and after August 1, 1984.
2. Authorization to modify the CLMAC provision of its tariffs to reflect a separately identified balancing account and related rate development for the CRS program; and
3. A finding that the expenses incurred in 1983 for RCS are reasonable.

1983 RCS Expenses, Goals, and Achievements

The following tabulation summarizes Edison's 1983 recorded RCS expenses:

<u>Item</u>	<u>1983 Expense</u>
Program Announcements & Other Advertising	\$ 320,633
Audit Costs	4,142,353
Recordkeeping and Reporting	48,709
Audit Training	109,451
Computer Costs	542,183
Program Planning and Development	122,312
Administrative Costs	<u>174,444</u>
Total	\$5,460,085
Audits	64,295
Cost per Audit	\$84.92

Edison notes that due to the limitations on the 1983 RCS budget, the RCS share of the costs of a joint RCS/RCFP direct mailer and special marketing campaign was funded through RCFP. Under these circumstances, staff witness French testified that the "Program Announcements & Other Advertising" should be increased from \$320,633 to \$800,000, making a total 1983 recorded RCS expense of \$5,939,452 or \$92.38 per audit. With this change, staff recommends this Commission find the total expenditure of \$5,939,452 for 64,295 audits reasonable and in keeping with the goal of 50,000 audits at a cost of \$5,000,000. This position appears reasonable and will be adopted.

1983 MFAP Expenditures, Goals,
and Achievements

The budget allocated to MFAP by Commission Resolution No. E-1969 dated July 12, 1983 was \$639,240 from the balancing account to cover the cost of 2,000 common area audits and 30,000 tenant contacts. According to the record, the actual 1983 figures were 2,093 common area audits and 42,405 tenant contacts at a cost of \$671,317. Under these circumstances, staff recommends that the expenditures be found reasonable. We agree.

1984 RCS Budget Review

Tabulated below in 1984 dollars is Edison's 1984 RCS forecast expenditures, together with the staff-recommended amounts:

<u>Item</u>	<u>Edison's Revised Estimated Costs</u>	<u>Staff- Recommended Amounts</u>
Program Announcements, Low Income Outreach, and Other RCS Advertising	\$ 984,400	\$ 578,050
Audit Costs	3,349,500	3,872,935
Recordkeeping and Reporting	56,600	50,904
Auditor Training	137,400	404,635
Computer Costs	292,700	332,800
Program Planning and Development	170,200	131,070
Program Evaluation	184,000	160,000
Administration	<u>155,800</u>	<u>155,800</u>
Total	\$5,330,600	\$5,780,500
Total Audits 57,805		

According to the record, staff did not intend that the staff costs be construed as performance standards, but rather as general guidelines for purposes of analysis. Edison accepts staff's recommended 1984 program expenses of \$5,780,500 and a per audit cost of \$100 set forth in the above tabulation, but wishes to maintain the flexibility to reallocate funds among the various program categories and "manage to the bottom line". It is noted that Edison's revised estimated cost figure of \$5,330,600 for 57,805 audits is well below staff's stated goal of \$100 per audit. Consequently we will adopt Edison's revised estimate as reasonable.

The following tabulation presents Edison's proposed 1984 MFAP budget:

<u>Item</u>	<u>Cost</u>	<u>Percentage</u>	<u>Cost Per Audit</u>
Program Announcements and Other Advertising	\$ 79,700	7%	\$ 21.66
Audit Costs	807,500	74	219.43
Recordkeeping and Reporting	7,000	1	1.90
Audit Training	49,800	5	13.53
Computer Costs	42,200	4	11.47
Program Planning and Development	66,600	6	18.09
Administrative Costs	<u>39,400</u>	<u>3</u>	<u>10.71</u>
Total	\$1,092,200	100%	\$296.79

Number of Audits 3,680

In comparing the 1983 expenditures with the 1984 proposed budget, staff found the 1984 cost per audit budget amount somewhat high. It therefore recommends that the budget amount be approved but the cost per audit reduced to \$320 by increasing the number of common area audits by 182. The revised estimate indicates a cost per audit of \$297 which appears reasonable and will be adopted.

Edison originally proposed a 1984 budget amount of \$572,800 for the Santa Monica Audit Program. However, delayed implementation of the Santa Monica RCS program by the City has resulted in a reduction in funds necessary for 1984. The original forecast scheduled program implementation for January 1984; the program was not implemented until May 1984. In addition, due to the timing of invoice processing, it is anticipated that payment on November and December invoices from the City will not be made until 1985. As a result, the 1984 Santa Monica RCS program is now estimated to cost \$215,000.

V - RESIDENTIAL CONSERVATION
FINANCING PROGRAM

Background

The RCFP includes four program elements as follows:

1. The basic RCFP loan and cash rebate program for single-family dwellings (one to four units), mobile homes, and multifamily complexes (dwellings of five or more units);
2. A common area rebate program (CAR);
3. A low-income program which includes direct weatherization and double rebates to support the purchase of evaporative coolers; and
4. An energy-efficient refrigerator program.

The purpose of RCFP is to conserve energy and promote efficient energy use by offering financial incentives to residential customers to install conservation measures and to replace inefficient energy-using equipment.

D.82-11-086 dated November 17, 1982, on Edison's A.61066 proposing a zero-interest loan and cash incentive program, authorized funding of \$8.9 million to implement its RCFP. Resolution No. E-1969 dated July 12, 1983 allowed carry-over of unspent 1982 conservation funds making a total of \$9.8 million.

D.82-11-086 altered the program proposed in A.61066 by raising the loan interest from 0% to 8% annual percentage rate, removing the requirement for a load cycling device, and modifying the energy-efficient refrigerator program requirements.

The decision also authorized Edison to incorporate a California corporation as a subsidiary to administer all aspects of the program. As a result, a wholly owned subsidiary, the Conservation Financing Corporation (CFC) was formed and a \$10 million project financing arrangement was established with the Bank of America. The debt to equity ratio of this arrangement to fund customer loans is 80/20 with 80% funded by the project financed loan and the remaining 20% provided by Edison in the form of an equity investment. Edison is authorized to earn the same rate of return on its investment in CFC that was allowed in its most recent general rate case decision.

On March 1, 1983 Edison filed a Project Letter requesting Commission approval of: (1) the agreements giving administrative control of the RCFP to Edison's financing subsidiary, CFC; (2) the financial arrangements between CFC, Edison, and the Bank of America; and (3) the filing of periodic advice letters to adjust the debt-service portion of the CLMABF. By Resolution No. E-1970 dated June 15, 1983, the Commission approved the requests made in the Project Letter, and on June 20, 1983 the CFC secured the \$10 million project financing loan with the Bank of America.

Request

With respect to the RCFP Edison seeks:

1. A finding that the current specified program rate of 0.077¢/kWh for RCFP is fair, just, and reasonable.
2. A finding that nine proposed modifications to RCFP are reasonable and justified.
3. A finding that the recorded 1983 RCFP expenditures are reasonable and justified.

4. A finding that the proposed programs and expenditures for 1984 are reasonable.
5. Authorization for the incorporation of a separately identified balancing account and a related rate development for RCFP.
6. Authorization for the use of CFC for administering and financing loans under RCFP.

Staff-recommended Modifications

After reviewing this matter, staff recommends modifications to the present and/or Edison-proposed RCFPs involving warranties, load program financing limits, minimum installation standards, R-value limitations, inspections, performance link to outreach, administration costs as a percentage of total costs, guidelines for low-income eligibility criteria, new rebates eligibility date, and elimination of the RCS audit requirement for wall and floor insulation.

Ordering Paragraph 5.v. of D.82-11-086 provides:

- "v. All work financed under RCFP shall be covered by repair or replacement warranties equaling or exceeding those required by the RCS State Plan, including a three-year manufacturer's warranty for free repair or replacement of materials and devices financed under the program, but including labor costs only for the first year as provided in the RCS State Plan." (Mimeo. p. 45.)

Staff recommends that this provision be extended to all new modifications to RCFP measures resulting from this application and, further, the warranty for wall insulation be extended to a three-year warranty for both material and labor because of potential problems associated with the difficulty of installing such insulation.

For the purpose of controlling program costs, staff recommends financing limits on insulation installations similar to those in effect for SoCal as follows:

<u>Measures</u>	<u>Cellulose</u> (cents per square foot)	<u>All Other Approved Material</u>	<u>All Approved Material</u>
Floor insulation R-11 or greater			50
Wall insulation R-11 or greater			80
Attic Insulation, R-11	40	44	
Attic Insulation, R-19	48	52	
Above R-19 where permitted additional amount per R above 19	1	1	

To ensure that the participating customer achieves enough energy savings to make the measures cost-effective, staff recommends the following minimum installation standards for Edison:

<u>Measure</u>	<u>Single Family</u>	<u>Multifamily</u>
Attic Insulation	-	-
Wall Insulation	400 sq.ft.	300 sq.ft.
Floor Insulation	600 sq.ft.	400 sq.ft.
Duct Wrap	25 lin.ft.	20 lin.ft.
Caulking/Weatherstripping	20 lin.ft.	20 lin.ft.

To ensure the cost-effectiveness of attic insulation installations, staff recommends the following R-value restrictions that can be installed relative to what may be in place:

Area	<u>Existing R-Value</u>	<u>Minimum Installed</u>	<u>Minimum Achieved</u>
Orange, Los Angeles, Ventura, and Santa Barbara counties	0 - 15	11	19
Mono, Inyo, Tulare, Kern, San Bernardino, and Riverside counties	0 - 19	11	19

If R-15 or more was originally installed, nothing can be added, except in certain mountain communities, over 3,000 feet elevation, where the severe winter weather makes it cost-effective for the participant to install greater values. An example is Mammoth in Mono County.

With respect to inspections of installations, staff recommends:

1. 100% of all do-it-yourself jobs either rebated or financed by Edison must be inspected.
2. If the measures are contractor-installed and the contractor achieves a 90% pass rate on inspections, then the inspection rate for that contractor can be dropped to 20% of all jobs performed.
3. If the contractor receives a notice from Edison of a potential hazardous condition, Edison should put that contractor on 100% inspection for 100 jobs following the inspection failure.

Staff recommends that each of the low-income contracts and grants awarded in 1983 and 1984 be described to this Commission in the form of a report setting forth the value for the produce received for each contract, i.e. dollars per lead, dollars per eligibility, dollars per home weatherized, with the first report to be filed three months after the effective decision date.

Staff recommends that a guideline of 35% of total costs be established for administrative costs, i.e. all costs which are not a part of the loan program or rebates; and, further, that variances above the 35% guideline be explained in the reasonableness review performed annually for CLMAC.

Staff recommends guidelines for low-income eligibility criteria similar to those in effect for SoCal as follows:

1. Elderly people defined as those 60 years and older with incomes at 200% or less of federal poverty guidelines.
2. Disabled people with incomes at 200% or less of federal guidelines.

All other low-income customers' eligibility criteria would remain at 150% of federal poverty guidelines. Disability should be verified by a physician or a Center for Independent Living as a permanent disability.

Staff recommends the effective date of this decision as the official startup date for rebate eligibility once any program element is under way. Such date is to be set forth in RCFP literature as the official date for rebate eligibility for that measure.

Staff recommends that in keeping with AB 2158 (1983 Statutes, Chapter 1164), no RCS audit be required for any Edison customers with electric space heating to collect a rebate or receive a loan on wall, and/or floor insulation, central heat pumps, heat pump water heaters, and whole house fans.

All of the above-described staff-recommended modifications to the RCFP are acceptable to Edison, appear reasonable to us, and will be adopted.

1983 Budget and Expenses

The following tabulation sets forth the 1983 authorized RCFP budget, together with the actual data through December 1983. Most of the \$5,114,000 increase of actual over authorized is accounted for in sums paid directly to Edison customers in the form of rebates. Such increase reduced utility administrative costs expressed as a percentage of total costs from 36% to 28%. Staff review found the actual recorded expenditures to be reasonable. We find that the 1983 expenditures are reasonable, however, we are concerned about the magnitude of increase (200%) for cash incentives beyond our original authorization. While undoubtedly the programs are popular to customers and easier to administer than loans, we are not convinced that widespread cash incentives induce customers to purchase a refrigerator or other conservation measure that they would otherwise not purchase. The evidence in this proceeding concerning the cost-effectiveness of cash incentives did not adequately address these concerns.

	<u>Authorized Budget</u>	<u>Year-end Expenses</u>
<u>Program Administration</u>		
Central Operations	\$ 869,000	\$ 936,000
Accounts Payable/Accounts Receivable	65,000	35,000
Promotion	960,000	1,292,000
Field Processing	884,000	1,214,000
Data Processing	462,000	440,000
Low-income Outreach	174,000	133,000
Other	<u>126,000</u>	<u>83,000</u>
Subtotal	3,540,000	4,133,000
<u>Loan Program</u>		
Bad Debt	1,125,000	45,000
Bank Interest Due	192,000	5,000
Bank Fees	62,000	60,000
Income Tax	151,000	7,000
Edison Equity Return on Investment	7,000	7,000
Other	<u>7,000</u>	<u>1,000</u>
Subtotal	1,688,000	125,000

Cash Incentive Program

Single Family	1,725,000	4,427,000
Multifamily	300,000	4,033,000
CAR	750,000	113,000
Refrigerator	1,500,000	2,083,000
Contracts and Grants	297,000	-
Subtotal	4,572,000	10,656,000
Grand Total	<u>\$9,800,000</u>	<u>\$14,914,000</u>

1983 Goals and Achievements

The following tabulation compares Edison's goals as set forth in its RCFP Implementation Plan with its year-end achievements:

	(Number of Measures Financed and Rebated) 1983	
	<u>1983 Goals</u>	<u>Achievements</u>
Single family	13,992	16,548
Multifamily	7,400	16,593
Refrigerators	<u>30,000</u>	<u>31,487</u>
Total	51,392	64,628

Edison states that its goal for low-income customer participation is 11.8% equal to percentage of low-income customers of total primary customers. The actual 1983 low-income participation percentage in RCFP measures was approximately 20%, well above the above-stated goal of 11.8%. Staff review found the 1983 RCFP achievements to be reasonable. We agree.

1984 Goals and Budget

Edison's initial proposed 1984 budget consists of a base amount and a modifications amount. The modifications amounts are for nine modifications to the RCFP proposed by Edison, described in detail below.

1983 Goals and Achievements

The following tabulation compares Edison's goals as set forth in its RCFP Implementation Plan with its year-end achievements:

	(Number of Measures Financed and Rebated)	
	<u>1983 Goals</u>	<u>1983 Achievements</u>
Single family	13,992	16,548
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Refrigerators	<u>30,000</u>	<u>31,487</u>
Total	51,392	64,628

Edison states that its goal for low-income customer participation is 11.8% equal to percentage of low-income customers of total primary customers. The actual 1983 low-income participation percentage in RCFP measures was approximately 20%, well above the above-stated goal of 11.8%. Staff review found the 1983 RCFP achievements to be reasonable. We agree.

1984 Goals and Budget

Edison's initial proposed 1984 budget consists of a base amount and a modifications amount. The modifications amounts are for nine modifications to the RCFP proposed by Edison, described in detail below.

The following tabulation shows Edison's revised amounts as submitted with the amended application on June 29, 1984. The Staff has reviewed these amounts and finds them reasonable in light of the current level of activity in this program.

	<u>Actual January- April</u>	<u>Projected May- December</u>	<u>Total</u>
<u>Program Administration</u>			
Central Operations	\$ 509,000	\$ 1,523,000	\$ 2,032,000
Accounts Payable/Accounts Receivable	7,000	73,000	80,000
Promotion	446,000	1,024,000	1,470,000
Field Processing	505,000	1,242,000	1,747,000
Data Processing	131,000	335,000	466,000
Low-income Outreach	16,000	30,000	46,000
Other	225,000	673,000	898,000
Subtotal	1,839,000	4,900,000	6,739,000
<u>Loan Program</u>			
Bad Debt	25,000	52,000	77,000
Bank Interest Due	6,000	64,000	70,000
Bank Fees	15,000	20,000	35,000
Income Tax	9,000	33,000	42,000
Edison Equity Return on Investment	8,000	33,000	41,000
Other	0	3,000	3,000
Subtotal	63,000	205,000	268,000
<u>Cash Incentive Program</u>			
Single Family	3,420,000	6,452,000	9,872,000
Multifamily	5,064,000	5,053,000	10,117,000
CAR	272,000	997,000	1,269,000
Refrigerator	43,000	2,760,000	2,803,000
Contracts and Grants	5,000	479,000	484,000
Subtotal	8,804,000	15,741,000	24,545,000
Grand Total	<u>\$10,706,000</u>	<u>\$20,846,000</u>	<u>\$31,552,000</u>

It will be noted from the preceding comparison tabulation that the only difference between Edison's original proposal and staff's recommended allowances is under "Program Administration" for the "Promotion" item.

The nine proposed program modifications, which Edison estimates would result in 16,271 measures on 13,320 dwelling units for an estimated annual savings of 44,285,424 kWh, for the original 1984 forecast year, consist of the following:

1. Edison proposes to include residential customers who have permanently installed wall of window electric air-conditioners that cool the majority of the residence hearing and/or central electric air-conditioning units for eligibility for cash rebates and loans for pre-coolers, whole house fans, evaporative coolers, and replacement high-efficiency air-conditioners. Edison states that such a modification would provide more equitable distribution of program benefits among the residential customers and estimates that an additional 2,900 measures would be installed resulting in savings of an annual 4,733,400 kWh.
2. Edison proposes that the restriction against cash rebates and/or loans for houses built after November 17, 1982 set forth in D.82-11-086 issued November 17, 1982, on Edison's A.61066 for a zero-interest loan and cash incentive program, be partially rescinded to permit cash rebates and/or loans on such houses for pre-coolers, whole house fans, and evaporative coolers. Edison estimates that such a modification to D.82-11-086 would result in the installation of approximately 800 additional measures at an annual saving of 1,769,600 kWh.
3. Edison proposes a \$120 cash rebate or 8% financing for the replacement of a permanently installed wall or window air-conditioning units having an Energy Efficiency Ratio (EER) of 6 or less with one with an EER of 9 or greater. Edison estimates that such a measure would result in 2,500 additional measures with annual energy savings of approximately 2,055,000 kWh.
4. Edison seeks to remove the RCS audit requirement as a condition for financing the following measures:

Measure No Longer
Requiring an RCS Audit

Wall insulation
Whole house fans

Heat pump water heaters
Floor insulation
Central heat pumps

No Audit Areas

Systemwide

Wherever resistance
heating is used.

5. Edison requests that residential customers with less than 12 months of service be eligible for participation in the loan program if a favorable credit bureau report is received. Edison states that a credit investigation report is more accurate than the present 12 months service requirement for a loan grant determination.
6. Edison proposes a \$20 cash rebate to install a high efficiency pool pump motor. The \$20 represents the incremental cost difference between the standard and high efficiency pump motor and should promote the more efficient model at the time of replacement. Edison estimates that an additional 8,000 measures will be installed with savings of approximately 1,992,000 kWh.
7. Edison requests authorization to change the rebate amount paid for attic insulation from the established maximum of \$302 (based on 30¢ per square foot) to a maximum amount based on the square footage of the actual area insulated (at 30¢ per square foot). In support of this position, Edison states that houses larger than 1,000 square feet qualify for disproportionately smaller rebates even though insulating the larger residences actually results in saving more energy. Consequently, in order to establish a consistent incentive for all residences, Edison recommends it be allowed to base the rebate on 30¢ per square foot for the actual area insulated.

8. Edison proposes to offer low-income customers double the currently authorized rebate amounts for heating and cooling measures not to exceed the actual installed cost of the measure. Edison estimates that an additional 671 measures will be installed with a 1,579,424 kWh of energy saving. Edison states that such double rebates for low-income customer installations is necessary to encourage equitable participation by the low-income customers.
9. Edison proposes to include the CAR program in RCFP. No changes are planned for CAR but because it was previously funded by a carry-over of unspent conservation funds, its inclusion as a specified program under CLMAC is considered a modification to RCFP. Edison estimates that 1,400 measures will be installed as a part of the CAR program resulting in annualized saving of 32,116,000 kWh.

Discussion

Edison's revised application reflects a 110 percent increase in funding for RCFP in 1984 relative to 1983 recorded expenditures. Most of the requested increases are in cash incentives to customers. As we discussed in our evaluation of 1983 expenditures, we are not convinced that cash incentives induce customers to make purchasing decisions they otherwise would not make, based on complete information about potential cost savings. Further, none of the analyses of cost-effectiveness presented to the Commission adequately explore this issue. Namely, in deriving energy savings and program benefits, it is simply assumed that all or most of the customers participating in the program would not have purchased the measure without the cash incentive. Recent Commission decisions have also called into question the cost-effectiveness of refrigerator rebate programs and have noted the inability of low-income customers to participate in such programs. Furthermore, dramatic increases in RCFP funding is inconsistent with our overall "stay the course" policy for conservation over the next couple of years. This policy was articulated in D.83-12-068 (Pacific Gas & Electric test year 1984 general rate case), D.83-12-065 (San Diego Gas & Electric test year 1984 general rate case) and D.84-07-150 (Pacific Power & Light test year 1984 general rate case). Stay the course is particularly relevant in this proceeding where all the programs are, according to Edison's own analysis, non cost-effective to the nonparticipant.

In light of the above, our initial inclination is to authorize a funding level for Edison's 1984 RCFP program on the order of \$15-\$17 million. However, we recognize that in doing so, Edison's RCFP program would come to an abrupt halt. This is because Edison has already expended \$18 million on its RCFP program to date. While we in no way condone accelerated expenditures prior to Commission authorization, we also do not wish to see the program terminate prematurely. As of August 1, 1984, Edison will have already committed \$18-\$20 million of RCFP program funds for 1984. We will therefore authorize \$31,552,000 for RCFP over the 15-month period from January 1, 1984 to March 31, 1985. This figure represents a maximum limit for RCFP program expenditures. Edison is directed to pace its program activities to ensure its continuance throughout the funding period. Edison is authorized to reduce the size of cash incentives as it seems appropriate, in order to pace program activities. We direct parties to closely evaluate the cost-effectiveness of this program, in light of our comments above, in Edison's next CLMAC proceeding. Edison is directed to file an application for RCFP program funding and CLMAC revisions for the remaining 9 months of 1985 by January 1, 1985.

Further, as discussed in our recent decision (D.84-07-107) on PG&E's 1984 ZIP and RCS programs, we view these programs as temporary, and not to be institutionalized. In this proceeding, staff originally recommended that the RCS program be terminated at the end of 1984, similar to the termination of SoCal's RCS program as authorized by D.83-12-061. Edison, however, notes that it and staff have addressed the complicated issues related to the future of Edison's residential program beyond 1984 within the context of Exhibit (SCE-12) of the Test Year 1985 Rate Case (A.83-12-53) and through corresponding data requests. Edison believes that these

issues extend beyond this CLMAC filing and that they should continue to be addressed in the Test Year 1985 Rate Case Proceeding. This position appears reasonable and will be adopted. We direct parties to address a termination date for Edison's RCFP programs in the next CLMAC offset proceeding.

With regard to the nine proposed program modifications, we note that most of them expand eligibility for the cash rebate programs. In view of our comments above, we do not believe that eligibility should be expanded at this time. Therefore, we do not adopt SCE's proposed modifications #1, #2, #3, and #6 listed above. Consistent with our recent decision in PG&E's offset proceeding, we will remove the RCS audit requirement from central heat pumps, heat pump water heaters, whole house fans, and floor insulation (where electric resistance heat is used). The other measures proposed by Edison under modification #4 will still require an RCS audit as a condition for rebates or financing.

We find modifications #5, #8, and #9 to be reasonable, and will grant the requested modifications.

Modification #7 requires further discussion. At the hearing, the Edison witness, after consultation with staff, changed her testimony and stated her belief that the rebate amount for attic insulation should be at 30¢ per square foot with a maximum of \$302 for single-family units and \$136 for multifamily units.

Staff recommends that the originally proposed SCE modification not be authorized on the basis that larger homes are generally proportionately more expensive and their owners generally are proportionately more wealthy and thus able to afford to pick up a larger share of the costs to insulate their homes.

Testimony presented on behalf of Sun Miser indicated that smaller insulation companies paid condominium associations to acquire the contracting jobs, and as soon as Edison became aware of this practice it immediately dropped the \$302 cash rebate to 30c a square foot requiring apartment owners and condominium associations to come up with cash out of their pocket with the result that the program was stopped. This witness further testified that the reason for this was that probably 80% of the multifamily residences were rental-occupied and the owners have no reason to invest capital on the apartments since the tenants, not the owner, paid the energy bills. This witness noted that the energy companies will finance at 40c per square foot and believes that it would be equitable to match the rebate with the financing amount, i.e. a 40c per square foot rebate for attic insulation.

This witness further testified it was his experience that much of the existing R-19 insulation is substandard. He recommends that in those cases the homes should be brought up to R-30, the current standard in Title 24 standards of the California Energy Commission.

Edison's revised position, concurred in by staff, appears reasonable and we will adopt an attic insulation rebate of 30c per square foot with a maximum of \$302 for a single-family unit and \$136 for a multifamily unit.

As previously stated, we are establishing financing limits on attic insulation up to 52c per square foot, somewhat above the 40c per square foot limit referred to by Sun Mizer's witness. We are not persuaded that rebates equal to the financing limits are justified and will maintain the present 30c per square foot limit.

The testimony by Sun Mizer to the effect that Edison changed its policy of granting a flat rebate of \$302 per unit to a policy of granting rebates solely on the basis of 30c per square foot of area insulated with a maximum rebate of \$302 per unit merely indicates that Edison became aware that it had been improperly applying its rebate rules and, therefore, changed its practices to conform fully with the rules.

It should be noted that at the present time rebates are given only if R-11 or greater is added to achieve a level of R-19. If the total of the existing insulation plus the R-11 addition exceeds R-19 then the installation will not qualify for loans or rebates unless recommended as cost-effective by a utility energy audit. At the present time the rebate is 30c per square foot of attic insulation, up to \$302 or the cost of the job, whichever is less. As previously stated, we will limit the rebates to the lesser of 30c per square foot or \$302 for single-family units and \$136 for multifamily units.

The 1984 RCFP goals as originally filed are shown below:

	Base			Modifications		
	Measures	Dwelling Units	Savings	Measures	Dwelling Units	Savings
Single Family	14,670	11,800	18,558,656	12,816	10,317	9,308,214
Multifamily	5,000	3,900	1,654,985	2,055	1,603	2,861,210
Energy Efficient Refrigerator	40,000	40,000	29,920,000	0	0	0
CAR	0	0	0	1,400	1,400	32,116,000
Total	59,670	55,709	50,133,164	16,271	13,320	44,285,424

In order to adopt 1984 RCFP goals for this proceeding, we direct SCE to submit an advice letter filing with appropriate adjustments to its goals, based on our adopted funding level and program modifications.

We will make the order in this decision effective through March 31, 1985. This was recently done in PG&E's RCS proceeding (D.84-07-107) in order to avoid the problem of processing another decision on this subject during the end of the calendar year, when Commission agendas are heavy. We will permit, however, an advice letter filing pertaining to programs other than RCFP for the final 3 months of the 15-month period. We emphasize, however, that the advice letter should address only the most essential items.

VI - TARIFF CHANGES

General

As previously indicated, Edison is seeking authority to provide for separate balancing accounts and resultant balancing rates for each specified program authorized for inclusion in the CLMAC and to reflect the use of CFC for administering and financing loans under RCFP. Each current specified program rate is the sum of the specified program expense rate and specified program balancing rate for each specified program.

Separate Balancing Accounts

Currently the CLMAC provides a separate rate, termed current specified program rates for SRDP, RCS, and RCFP, and a separate rate, termed balancing rate, to provide for the amortization of the estimated balance in the load management adjustment account on the revision date. The sum of the three current specified program rates and the balancing rate is the CLMABF. The differential between the CLMABF-created revenues and the recorded expenditures for the three specified programs plus associated interest is accumulated in the balancing account on a monthly basis. Edison proposes a separate balancing account and rate for each specified program to formally reflect the current practice of separately accounting for each specified program. Edison's proposal appears reasonable and will be adopted.

Conservation Financing Corporation

CFC is a wholly owned subsidiary of Edison used for administering and financing loans under the RCFP. Edison proposes tariff changes to formally reflect in the CLMAC the use of CFC as adopted in D.82-11-086. This proposal appears reasonable and will be adopted.

SRDP Rates

Tabulated below are the specified program expense rate and balancing rate for SRDP. The specified program expense rate is based on forecast expenses for the period August 1, 1984 through December 31, 1984. The balancing rate is based on an estimated undercollection of \$11,000 as of August 1, 1984.

<u>Item</u>	<u>Cost (SM)</u>	<u>Sales (M² kWh)</u>	<u>Rate (c/kWh)</u>
<u>Specified Program Expense Rate</u>			
Demonstration Retrofit Solar Water Heating Finance Plan Program Expenditures	309		
Plus: Franchise Fees and Uncollectible Accounts Expense	<u>3</u>		
Specified Program Expense Rate	312	24,411 ^{a/}	0.001
<u>Balancing Rate</u>			
Estimated Balance in the Demonstration Retrofit Solar Water Heating Finance Plan B/A on January 1, 1984	11		
Plus: Franchise Fees and Uncollectible Accounts Expense	<u>-</u>		
Balancing Rate	11	56,437 ^{b/}	<u>0.000</u>
Current Specified Program Rate for the Demonstration Retrofit Solar Water Heating Finance Plan			0.001

a/ Five months sales commencing August 1, 1984 adjusted to reflect 10 M² kWh for Schedule No. DE discount.

b/ Adjusted to reflect 25 M² kWh for Schedule No. DE discount.

RCS Rates

Tabulated below are the specified program expense rate and balancing rate for RCS using the five-month forecast of \$3,350,000 expense for the period August 1, 1984 through December 31, 1984 and the estimated balancing account under-collection of \$902,000 as of August 1, 1984.

<u>Item</u>	<u>Cost (SM)</u>	<u>Sales (M² kWh)</u>	<u>Rate (c/kWh)</u>
<u>Specified Program Expense Rate</u>			
Residential Conservation Service Program Expenditures	3,350		
Plus: Franchise Fees and Uncol- lectible Accounts Expense	<u>34</u>		
Specified Program Expense Rate	3,384	24,411 ^{a/}	0.014
<u>Balancing Rate</u>			
Estimated Balance in the Residential Conservation Service B/A on January 1, 1984	923		
Plus: Franchise Fees and Uncol- lectible Accounts Expense	<u>9</u>		
Balancing Rate	932	56,437 ^{b/}	<u>0.002</u>
Current Specified Program Rate for the Residential Conservation Service Program			0.016

a/ Five months sales commencing August 1, 1984, adjusted to reflect 10 M² kWh for Schedule No. DE discount.

b/ Adjusted to reflect 25 M² kWh for Schedule No. DE discount.

RCFP Rates

Tabulated below are the specified program expense rate and balancing rate using Edison's 1984 RCFP forecast expenditures of \$12,989,000 for the five-month period August 1, 1984 through December 31, 1984 and the estimated balancing account under-collection of \$13,100,000 as of August 1, 1984.

<u>Item</u>	<u>Cost (SM)</u>	<u>Sales (M² kWh)</u>	<u>Rate (c/kWh)</u>
<u>Specified Program Expense Rate</u>			
Residential Conservation Financing Program Expenditures	12,989		
Plus: Franchise Fees and Uncol- lectible Accounts Expense	<u>133</u>		
Specified Program Expense Rate	13,122	24,411 ^{a/}	0.054
<u>Balancing Rate</u>			
Estimated Balance in the Resi- dential Conservation Financing Program B/A on January 1, 1984	13,100		
Plus: Franchise Fees and Uncol- lectible Accounts Expense	<u>134</u>		
Balancing Rate	13,234	56,437 ^{b/}	<u>0.023</u>
Current Specified Program Rate for the Residential Conservation Financing Program			0.077

a/ Five months sales commencing August 1, 1984
adjusted to reflect 10 M² kWh for Schedule
No. DE discount.

b/ Adjusted to reflect 25 M² kWh for Schedule
No. DE discount.

Since we are authorizing a maximum of \$31,552,000 for a 15-month period, the above program expense rate will result in an overcollection by March 31, 1985. The mechanism for returning this overcollection to Edison's ratepayers will be an issue in Edison's next CLMAC proceeding.

CLMABF Rate

The above-specified program rates yield a CLMABF of 0.094¢/kWh for an August 1, 1984 revision date computed as follows:

<u>Item</u>	<u>Rate (¢/kWh)</u>
Demonstration Retrofit Solar Water Heating Financing Plan:	
Current Specified Program Rate	0.001
RCS Program:	
Current Specified Program Rate	0.016
RCCFP:	
Current Specified Program Rate	<u>0.077</u>
CLMABF	0.094

Rate Design

Edison is requesting authority to make effective the following changes in its rate levels: (1) increase the CLMABF from 0.026¢/kWh to 0.094¢/kWh; (2) change the Energy Cost Adjustment Billing Factors (ECABF) to reflect the rate design criteria contained in its 1983 test year general rate case D.82-12-055; and (3) increase those rate levels applicable to certain steel producers as set forth on rate schedules Nos. SP-1, SP-2, and SP-3.

As previously discussed, a CLMABF of 0.094¢/kWh to be applied on an equal cents-per-kWh basis to all applicable customer groups and rate schedules is fully justified on this record. According to the testimony of Edison's witness, it is proposed to change the ECABF rate levels for rate schedules D, D-PG, TOU-8, TOU-ALMP-1, TOU-ALMP-2, TOU-GS, and TOU-PA-1 in

order to comply with the rate design criteria established for Edison by D.82-12-055 and PU Code Section 742. Edison's witness stated that Ordering Paragraph 16 of D.82-12-055 provides:

"16. Edison shall maintain in future ECAC [Energy Cost Adjustment Clause] proceedings the approximate rate differentials by time period in Schedule Nos. TOU-8, TOU-PA-1, and TOU-GS, and the approximate differentials in the experimental time-of-use schedules authorized by this decision." (Mimeo. p.264.)

Further, on page 221 of D.81-12-055, the Commission stated that the residential lifeline total rate should be set at 80% of the system average total rate. In accordance with the above-quoted material, Edison developed specific rate designs as follows:

1. Rate schedules Nos. TOU-8, TOU-PA-1, and TOU-GS: The approximate ratios of the differentials were maintained;
2. Rate schedules Nos. TOU-ALMP-1 and 2: The approximate differentials (the relative cents-per-kWh relationships between the time periods) were maintained;
3. Rate Schedule No. D: The lifeline total rate was set at 80% of the system average total rate; and
4. Other Applicable Rate Schedules: The net increase was spread on an equal cents-per-kWh basis.

ECAC provides that the ECABF is to be determined and applied as follows:

"5. Energy Cost Adjustment Billing Factors (ECABF). The Average Energy Cost Adjustment Rate shall be adjusted so that increases or decreases in the rate are applied on a uniform cents-per-kilowatthour basis to each customer group. Within each customer group, the specific ECABF applicable to each rate schedule shall be designed in accordance with the ECAC rate design parameters contained in Decision No. 82-12-055. The application of the ECABF to sales shall be as set forth on the applicable rate schedule."

In contrast, the CLMAC provides that the CLMABF is to be determined and applied as follows:

"8. Conservation Load Management Adjustment Billing Factor (CLMABF). The CLMABF shall be the sum of the Specified Program Rates and the Balancing Rate; such CLMABF, expressed in cents per kilowatthour, shall be applied on a uniform c/kWh basis to all sales subject to the CLMAC. The application of the CLMABF to each bill shall be as set forth on the applicable rate schedule."

It will be noted that the ratios and differentials established by D.81-12-055 are applicable only for ECAC proceedings which this instant matter is not. Furthermore, as indicated by the following tabulation, the application of the CLMABF on a uniform basis for rate schedules TOU-8, TOU-GS, and TOU-PA-1 without modification of the ECAC levels maintains the D.81-12-055 approximate ratios even were the ECAC provision applicable.

	<u>Present Rate</u> (c/kWh)	<u>Ratio</u>	<u>Present Rate</u> + .068 (c/kWh)	<u>Ratio</u>
<u>TOU-8</u>				
On peak	7.932	1.440	8.000	1.435
Mid peak	6.610	1.200	6.678	1.198
Off peak	5.508	-	5.570	
<u>TOU-GS</u>				
On peak	13.334	1.918	13.402	1.909
Off peak	6.952		7.020	
<u>TOU-PA-1</u>				
On peak	8.516	1.500	8.584	1.494
Off peak	5.677		5.745	

It is obvious from the above that ECAC rate level changes for rate schedules TOU-8, TOU-GS, or TOU-PA-1 are neither required nor justified by the application of the CLMABF of 0.094 c/kWh on a uniform basis for these schedules.

With respect to the experimental time-of-use schedules TOU-ALMP-1 and 2, D.81-12-055 requires a cents-per kWh differential be maintained between on-peak and off-peak rates. It is axiomatic that such a differential will be maintained if equal increments are added to both the on-peak and off-peak rates. Consequently no ECAC rate level change is indicated.

PU Code Section 739 requires that the first tier of the residential rate be maintained at a level of 15 to 25% below the system average rate. In view of this, we provided that such a tier should be at 80% of the system average rate. Edison's witness computed this amount exactly and adjusted the ECAC rate to yield such a precise rate. However, the present lifeline rate is 6.241c/kWh. Adding the increased CLMABF of 0.068c/kWh

raises this to 6.309¢/kWh, which is 80.60% of the system average rate of 7.828¢/kWh, which is certainly close enough to our specified level of 80% to be acceptable and well within PU Code Section 739 parameters, thus obviating the necessity of any adjustment to the ECABF.

PU Code Section 742 provides for a steel producer's regular energy rate equal to 70% of the system average rate and an interruptible energy rate equal to 55% of the system average rate. This computes to 5.480 and 4.305¢/kWh, respectively, and is as proposed by Edison for rate schedules SP-1, 2, and 3.

VII - FINDINGS AND CONCLUSIONS

Findings of Fact

1. Edison's 1983 recorded SRDP expenses totaling \$1,271,100 are reasonable and justified.
2. Estimates of contract inspection costs based on a reinspection rate of 45% are reasonable.
3. Customer rebates for solar conservation measures totaling \$480,000 for 1984 are reasonable.
4. The solar submetering equipment should be retained until sometime in 1985 to permit effective evaluation of data from four participating utilities on a statewide basis.
5. Consultants' fees of \$40,000 to evaluate the effectiveness of solar conservation measures for 1984 are reasonable.
6. The solar balancing account will be undercollected by approximately \$11,000 as of August 1, 1984.
7. Future sought solar rebate offsets should be included in general rate increase proceedings starting in 1985.
8. The RCS future audit program design should be addressed in the 1985 test year rate case proceeding.

9. The 1983 RCS recorded expenses totaling \$5,939,452 for 64,295 audits at an average cost of \$92.38 per audit are reasonable.

10. The 1983 recorded MFAP expenditures of \$671,317 for 2,093 common area audits involving 42,405 tenant contacts are reasonable.

11. Edison's revised estimated 1984 RCS forecast expenditures amount of \$5,330,600 is reasonable.

12. A 1984 MFAP budget amount of \$1,092,200 for 3,680 audits at a cost of \$297 an audit is reasonable.

13. A 1984 budget amount of \$215,000 for the Santa Monica Audit Program is reasonable.

14. The following staff-recommended modifications to the present and/or proposed RCFPs are reasonable and should be adopted:

- a. All work financed under RCFP shall be covered by a three-year free repair or replacement of materials and devices warranty, including labor costs for one year, except that wall insulation installations shall have a three-year warranty for both material and labor.
- b. The financing limits on insulation installations are as follows:

<u>Measures</u>	<u>Cellulose</u>	<u>All Other Approved Material</u>	<u>All Approved Material</u>
	(cents per square foot)		
Floor insulation R-11 or greater			50
Wall insulation R-11 or greater			80
Attic Insulation, R-11	40	44	
Attic Insulation, R-19	48	52	
Above R-19 where permitted additional amount per R above 19	1	1	

- c. To ensure enough energy savings to make the measures cost-effective, the following minimum installation standards apply:

<u>Measure</u>	<u>Single Family</u>	<u>Multifamily</u>
Attic Insulation	-	-
Wall Insulation	400 sq.ft.	300 sq.ft.
Floor Insulation	600 sq.ft.	400 sq.ft.
Duct Wrap	25 lin.ft.	20 lin.ft.
Caulking/Weather-stripping	20 lin.ft.	20 lin.ft.

- d. To ensure the cost-effectiveness of attic insulation installations, the following R-value restrictions that can be installed relative to what may be in place apply:

<u>Area</u>	<u>Existing R-Value</u>	<u>Minimum Installed</u>	<u>Minimum Achieved</u>
Orange, Los Angeles, Ventura, and Santa Barbara counties	0 - 15	11	19
Mono, Inyo, Tulare, Kern, San Bernardino, and Riverside counties	0 - 19	11	19

If R-15 or more was originally installed, nothing can be added, except in certain mountain communities, over 3,000 feet elevation, where the severe winter weather makes it cost-effective for the participant to install greater values. An example is Mammoth in Yono County.

- e. The following inspections of installations apply under the RCFP:

- (1) 100% of all do-it-yourself jobs either rebated or financed by Edison must be inspected.
- (2) If the measures are contractor-installed and the contractor achieves a 90% pass rate on inspections, then the inspection rate for that contractor can be dropped to 20% of all jobs performed.

- (3) If the contractor receives a notice from Edison of a potential hazardous condition, Edison should put that contractor on 100% inspection for 100 jobs following the inspection failure.
- f. Each of the low-income contracts and grants awarded in 1983 and 1984 be described to this Commission in the form of a report setting forth the value for the product received for each contract, i.e. dollars per lead, dollars per eligibility, dollars per home weatherized, with the first report to be filed three months after the effective decision date.
- g. A guideline of 35% of total costs be established for administrative costs, i.e. all costs which are not a part of the loan program or rebates; variances above the 35% guideline are to be explained in the reasonableness review performed annually for CLMAC.
- h. The criteria for customers for low-income eligibility is as follows:
 - (1) Elderly people, defined as those 60 years and older, with incomes at 200% or less of federal poverty guidelines.
 - (2) Disabled people with incomes at 200% or less of federal poverty guidelines.
 - (3) Other customers with incomes at 150% or less of federal poverty guidelines.
- i. The official startup date for rebate eligibility once any program element is under way should be the effective date of this decision.

15. The 1983 RCFP-recorded expenses of \$14,914,000 are reasonable.

16. The 1983 RCFP achievements of 64,628 measures financed or rebated as compared to the 1983 goal of 51,392 measures are reasonable.

17. It is unreasonable to assume that all or most of the customers participating in the RCFP program would not have purchased the measure without the cash incentive. Such assumptions should be critically reviewed, along with all cost-effectiveness calculations for RCFP, in Edison's test year 1985 general rate case and next offset proceeding.

18. Edison's proposed increase in RCFP program funding for 1984 is inconsistent with our overall "stay the course" policy for conservation and load management over the next couple of years.

19. A funding level for RCFP in 1984 on the order of \$15-\$17 million is consistent with our "stay the course" policy.

20. As of the date of this order, Edison will have already committed \$18-\$20 million of RCFP program funds for 1984. Stay the course policy would cause all program activity to terminate abruptly.

21. In order to avoid premature termination of the RCFP program, it is reasonable to authorize \$31,552,000 as a maximum funding limit for the 15-month period from January 1, 1984 to March 31, 1985.

22. It is reasonable to view RCS, RCFP, and other CLMAC funded programs as temporary, and not to be institutionalized.

23. It is reasonable to address the issue of termination of these programs in Edison's test year 1985 general rate case and, for the RCFP programs not proposed for inclusion in base rates, in the next CLMAC offset proceeding.

24. It is reasonable, and consistent with Decision 84-07-107, to make this decision effective through March 31, 1985.

25. It is reasonable to permit Edison to file an advice letter pertaining to programs other than RCFP for the final 3 months of the 15-month period.

26. By January 1, 1985, Edison should file an application for RCFP program funding, and associated CLMAC revisions, for the remaining 9 months of 1985.

27. It is reasonable to remove the RCS audit requirement as a condition for loan financing or rebates for central heat pumps, heat pump water heaters, floor insulation, and house fans, as described in this decision.

28. Edison customers with less than 12 months of service should be eligible for participation in RCFP loan programs if a favorable credit bureau report is received.

29. A rebate amount for attic insulation equal to the lesser of 30¢ per square footage of the actual area insulated or \$302 for single-family units or \$136 per unit for multifamily units is reasonable.

30. A rebate for low-income customers equal to double the currently authorized rebate amounts for heating and cooling measures not to exceed the actual installed cost of the measure is reasonable.

31. It is reasonable to include the CAR program in RCFP.

32. In order to adopt 1984 RCFP goals for this proceeding, Edison should file an advice letter, with appropriate adjustments to its goals, based on the funding levels and program modifications adopted in this order.

33. A separate balancing account and rate should be provided for each specified program to formally reflect the current practice of separately accounting for each specified program.

34. Tariff changes to formally reflect in the CLMAC the use of CPC for administrating and financing loans under the RCFP should be effected.

35. A CLMABF rate of 0.094¢/kWh consisting of a SRDP rate of 0.001¢/kWh, a RCS program rate of 0.016¢/kWh, and a RCFP rate of 0.077¢/kWh are reasonable and should be authorized.

36. Because this order adopts a maximum funding level for RCFP over a 15-month period, the RCFP rate of 0.077¢/kWh will result in an overcollection during the first three months of 1985.

37. The mechanism for returning the overcollection to Edison's ratepayers should be addressed in Edison's next CLMAC proceeding.

38. The above CLMABF rate of 0.094¢/kWh should be applied uniformly across the board to all applicable rate schedules and no modification to any ECABF rate should be made as a result of this application.

39. The energy rate for steel producers' rate schedules SP-1, 2, and 3 should be 5.480¢/kWh for regular service and 4.305¢/kWh for interruptible service.

Conclusions of Law

1. Edison should be authorized to modify its RCFP in accordance with the staff recommendations as described in Finding 14.

2. Edison should be authorized to modify its RCFP and RCS programs as described in Findings 27, 28, 29, 30, and 31.

3. Edison should be authorized to modify its tariffs to formally reflect in the CLMAC the use of CFC for administering and financing loans under the RCFP.

4. Edison should be authorized a CLMABF rate of 0.094¢/kWh, but at the same time, a maximum limit of \$31,552,000 should be placed on RCFP program funding over the January 1, 1984 - March 31, 1985 period.

5. Edison, staff, and other interested parties should propose a mechanism for returning the overcollection resulting from the adopted RCFP rate in Edison's next CLMAC proceeding.

6. A rate for steel producers' rate schedules SP-1, 2, and 3 of 5.480¢/kWh for regular service and 4.305¢/kWh for interruptible service conforms to PU Code Section 742.

7. The increase in rates and charges authorized by this decision of approximately \$38,369,000 is just and reasonable; the present rates and charges, insofar as they differ from those ordered in this decision, are for the future unjust and unreasonable.

8. Edison, staff, and other interested parties should critically review the assumptions used to evaluate the cost-effectiveness of RCFP, as described in Finding 17.

9. Edison should be authorized \$31,552,000 as a maximum funding limit for its RCFP program over the period January 1, 1984 to March 31, 1985.

10. Edison, staff, and other interested parties should address the issue of program termination, as described in Finding 23.

11. By January 1, 1985, Edison should file an application for RCFP program funding, as described in Finding 26.

12. By January 1, 1985, Edison should file an advice letter pertaining to RCFP 1984 goals, as described in Finding 32.

13. Because the contemplated revision date of the CLMARP has already passed, this order should be effective as of the date of signature and through March 31, 1985.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison) is authorized to file revised tariff schedules conforming to the Findings of Fact and Conclusions of Law included in this decision and providing for:

a. A conservation load management adjustment billing factor of 0.094 cents per kilowatt-hour (c/kWh) applied uniformly across the board for all applicable rate schedules with no energy cost adjustment billing factor modification.

b. A separate specified program balancing account, a specified program expense rate, and a specified program balancing rate for the Demonstration Retrofit Solar Water Heating Financing Plan, the Residential Conservation Financing Program, (RCFP) and the Residential Conservation Service Program (RCS).

- c. The use of the Conservation Finance Corporation for administering and financing loans under the RCFP.
- d. The modification of steel producers' rate schedules SP-1, 2, and 3 to reflect a regular energy rate of 5.480¢/kWh and an interruptible energy rate of 4.305¢/kWh.

This filing shall comply with General Order Series 96. The effective date of the revised schedules shall be not less than five days after filing. The revised schedules shall apply only to service rendered on and after their effective date.

2. Edison is authorized to modify its RCFP in accordance with the staff recommendations set forth in Finding 14.

3. Edison is authorized to modify its RCFP and RCS program as described in Findings 27, 28, 29, 30, and 31.

4. Within 90 days of the effective date of this decision and monthly thereafter, Edison shall file a report of each low-income contract and grants awarded in 1983 and 1984 setting forth the value for the product received for each contract.

5. By January 1, 1985, Edison shall file an advice letter pertaining to RCFP goals, as described in Finding 32.

6. By January 1, 1985, Edison shall file an application for RCFP program funding, as described in Finding 26. Edison shall include in the application a proposal for returning the overcollection described in Findings 36 and 37.

7. Edison shall address the issue of termination of these programs, as described in Finding 23.

8. Edison shall review the assumptions used to evaluate the cost-effectiveness of RCFP, as described in Finding 17.

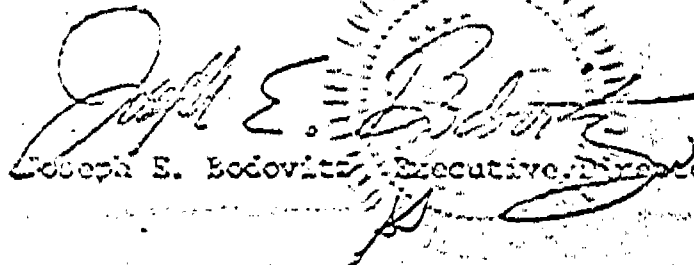
9. This decision is effective through March 31, 1985.
This order is effective today.
Dated August 1, 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
DONALD VIAL
Commissioners

Commissioner Priscilla C. Grew,
being necessarily absent, did
not participate.

Commissioner William T. Bagley,
being necessarily absent, did
not participate.

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


Joseph E. Bodovitz, Executive Director

<u>Item</u>	<u>Edison's Revised Estimated Costs</u>	<u>Staff- Recommended Amounts</u>
Program Announcements, Low Income Outreach, and Other RCS Advertising	\$ 984,400	\$ 578,050
Audit Costs	3,349,500	3,872,935
Recordkeeping and Reporting	56,600	50,904
Auditor Training	137,400	404,635
Computer Costs	292,700	332,800
Program Planning and Development	170,200	131,070
Program Evaluation	184,000	160,000
Administration	<u>155,800</u>	<u>155,800</u>
Total	\$5,330,600	\$5,780,500
Total Audits	57,805	

According to the record, staff did not intend that the staff costs be construed as performance standards, but rather as general guidelines for purposes of analysis. Edison accepts staff's recommended 1984 program expenses of \$5,780,500 and a per audit cost of \$100 set forth in the above tabulation, but wishes to maintain the flexibility to reallocate funds among the various program categories and "manage to the bottom line". It is noted that Edison's revised estimated cost figure of \$5,330,600 for 57,805 audits is well below staff's stated goal of \$100 per audit.

Consequently we will adopt Edison's revised estimate as reasonable. Staff originally recommended that the RCS program be terminated at the end of 1984, similar to the termination of SoCal's RCS program as authorized by D.83-12-061. Edison, however, notes that it and staff have addressed the complicated issues related to the future of Edison's residential program beyond 1984 within the context of Exhibit (SCE-12) of the Test Year 1985 Rate Case (A.83-12-53) and through corresponding data

requests. Edison believes that these issues extend beyond this CLMAC filing and that they should continue to be addressed in the Test Year 1985 Rate Case Proceeding. This position appears reasonable and will be adopted.

The following tabulation presents Edison's proposed 1984 MFAP budget:

<u>Item</u>	<u>Cost</u>	<u>Percentage</u>	<u>Cost Per Audit</u>
Program Announcements and Other Advertising	\$ 79,700	7%	\$ 21.66
Audit Costs	807,500	74	219.43
Recordkeeping and Reporting	7,000	1	1.90
Audit Training	49,800	5	13.53
Computer Costs	42,200	4	11.47
Program Planning and Development	66,600	6	18.09
Administrative Costs	<u>39,400</u>	<u>3</u>	<u>10.71</u>
Total	\$1,092,200	100%	\$296.79
Number of Audits	3,680		

1983 Budget and Expenses

The following tabulation sets forth the 1983 authorized RCFP budget, together with the actual data through December 1983. Most of the \$5,114,000 increase of actual over authorized is accounted for in sums paid directly to Edison customers in the form of rebates. Such increase reduced utility administrative costs expressed as a percentage of total costs from 36% to 28%. Staff review found the actual recorded expenditures to be reasonable. We agree.

	<u>Authorized Budget</u>	<u>Year-end Expenses</u>
<u>Program Administration</u>		
Central Operations	\$ 869,000	\$ 936,000
Accounts Payable/Accounts Receivable	65,000	35,000
Promotion	960,000	1,292,000
Field Processing	884,000	1,214,000
Data Processing	462,000	440,000
Low-income Outreach	174,000	133,000
Other	126,000	83,000
Subtotal	3,540,000	4,133,000
<u>Loan Program</u>		
Bad Debt	1,125,000	45,000
Bank Interest Due	192,000	5,000
Bank Fees	62,000	60,000
Income Tax	151,000	7,000
Edison Equity Return on Investment	7,000	7,000
Other	7,000	1,000
Subtotal	1,688,000	125,000
<u>Cash Incentive Program</u>		
Single Family	1,725,000	4,427,000
Multifamily	300,000	4,033,000
CAR	750,000	113,000
Refrigerator	1,500,000	2,083,000
Contracts and Grants	297,000	-
Subtotal	4,572,000	10,656,000
Grand Total	<u>\$9,800,000</u>	<u>\$14,914,000</u>

1983 Goals and Achievements

The following tabulation compares Edison's goals as set forth in its RCFP Implementation Plan with its year-end achievements:

	(Number of Measures Financed and Rebated)	
		1983
	<u>1983 Goals</u>	<u>Achievements</u>
Single family	13,992	16,548
Multifamily	7,400	16,593
Refrigerators	<u>30,000</u>	<u>31,487</u>
Total	51,392	64,628

Edison states that its goal for low-income customer participation is 11.8% equal to percentage of low-income customers of total primary customers. The actual 1983 low-income participation percentage in RCFP measures was approximately 20%, well above the above-stated goal of 11.8%. Staff review found the 1983 RCFP achievements to be reasonable. We agree.

1984 Goals and Budget

Edison's initial proposed 1984 budget consists of a base amount and a modifications amount. The modifications amounts are for nine modifications to the RCFP proposed by Edison in this application to achieve substantially greater energy savings.

The following tabulation sets forth Edison's original and supplemental forecast budget amounts, together with staff's original recommended amounts:

	<u>Base</u>	<u>1984 Modifi- cations</u>	<u>Edison Total</u>	<u>Staff Revisions</u>
<u>Program Administration</u>				
Central Operations	\$ 1,588,000	\$ 217,000	\$ 1,805,000	\$ 1,805,000
Accounts Payable/Accounts Receivable Services	70,000	10,000	80,000	80,000
Promotion	1,214,000	225,000	1,439,000	1,354,140
Field Processing/Inspectors	1,185,000	234,000	1,419,000	1,419,000
Data Processing	382,000	7,000	389,000	389,000
Low-income Outreach	28,000	8,000	36,000	36,000
Other	230,000	38,000	268,000	268,000
Subtotal	4,697,000	739,000	5,436,000	5,351,140
Supplemental Forecast			6,739,000	
<u>Loan Program</u>				
Bad Debt	387,000	-	387,000	387,000
Incremental Interest due Bank	108,000	-	108,000	108,000
Bank Fees	7,000	-	7,000	7,000
Income Taxes	134,000	-	134,000	134,000
Edison Equity Return on Investment	134,000	-	134,000	134,000
Other	28,000	-	28,000	28,000
Subtotal	798,000	-	798,000	798,000
Supplemental Forecast			268,000	
<u>Cash Incentive Program</u>				
Single Family	3,521,000	1,846,000	5,367,000	5,367,000
Multifamily	750,000	479,000	1,229,000	1,229,000
Common Area Rebate	-	1,400,000	1,400,000	1,400,000
Refrigerator	2,800,000	-	2,800,000	2,800,000
Contracts and Grants	485,000	-	485,000	485,000
Subtotal	7,556,000	3,725,000	11,281,000	11,281,000
Supplemental Forecast			24,545,000	
Grand Total	\$13,051,000	\$4,464,000	\$17,515,000	\$17,430,140
Supplemental Forecast			\$31,552,000	

The following tabulation shows Edison's revised amounts as submitted with the amended application on June 29, 1984. The Staff has reviewed these amounts and finds them reasonable in light of the current level of activity in this program. Therefore, the revised total of \$31,552,000 will be adopted.

	<u>Actual January- April</u>	<u>Projected May- December</u>	<u>Total</u>
<u>Program Administration</u>			
Central Operations	\$ 509,000	\$ 1,523,000	\$ 2,032,000
Accounts Payable/Accounts Receivable	7,000	73,000	80,000
Promotion	446,000	1,024,000	1,470,000
Field Processing	505,000	1,242,000	1,747,000
Data Processing	131,000	335,000	466,000
Low-income Outreach	16,000	30,000	46,000
Other	225,000	673,000	898,000
Subtotal	1,839,000	4,900,000	6,739,000
<u>Loan Program</u>			
Bad Debt	25,000	52,000	77,000
Bank Interest Due	6,000	64,000	70,000
Bank Fees	15,000	20,000	35,000
Income Tax	9,000	33,000	42,000
Edison Equity Return on Investment	8,000	33,000	41,000
Other	0	3,000	3,000
Subtotal	63,000	205,000	268,000
<u>Cash Incentive Program</u>			
Single Family	3,420,000	6,452,000	9,872,000
Multifamily	5,064,000	5,053,000	10,117,000
CAR	272,000	997,000	1,269,000
Refrigerator	43,000	2,760,000	2,803,000
Contracts and Grants	5,000	479,000	484,000
Subtotal	8,804,000	15,741,000	24,545,000
Grand Total	<u>\$10,706,000</u>	<u>\$20,846,000</u>	<u>\$31,552,000</u>

It will be noted from the preceding comparison tabulation that the only difference between Edison's original proposal and staff's recommended allowances is under "Program Administration" for the "Promotion" item.

The 1984 RCFP goals as originally filed are shown below. Due to the delay in the decision in this case, most of the modifications will not be implemented this year. However, it is still appropriate to discuss such modifications for future reference.

	Base			Modifications		
	Measures	Dwelling Units	Savings	Measures	Dwelling Units	Savings
Single Family	14,670	11,800	18,558,656	12,816	10,317	9,308,214
Multifamily	5,000	3,900	1,654,985	2,055	1,603	2,861,210
Energy Efficient Refrigerator	40,000	40,000	29,920,000	0	0	0
CAR	0	0	0	1,400	1,400	32,116,000
Total	59,670	55,709	50,133,164	16,271	13,320	44,285,424^{a/}

a/ Edison's revised showing projects substantially increased energy savings as set forth in the tabulation on page 33.

Including its proposed modifications, Edison's original goals represent an 18% increase in measures and 194.0% increase in energy savings. Such goals appear reasonable and will be adopted for this proceeding with appropriate adjustments to reflect the supplemental forecast data. The nine proposed program modifications, which it is estimated would result in 16,271 measures on 13,320 dwelling units for an estimated annual savings of 44,285,424 kWh, for the original 1984 forecast year, consist of the following:

1. Edison proposes to include residential customers who have permanently installed wall or window electric air-conditioners that cool the majority of the residence with customers who have electric resistance heating and/or central electric air-conditioning

units for eligibility for cash rebates and loans for pre-coolers, whole house fans, evaporative coolers, and replacement high-efficiency air-conditioners. Edison states that such a modification would provide more equitable distribution of program benefits among the residential customers and estimates that an additional 2,900 measures would be installed resulting in savings of an annual 4,773,400 kWh. Staff recommends the proposed modification be adopted provided that no units be replaced with a unit that has a greater cooling capacity (in tons) to preclude the rebated measure from using more energy than the wall and/or window units it replaces. The staff position appears reasonable and will be adopted.

2. Edison proposes that the restriction against cash rebates and/or loans for houses built after November 17, 1982 set forth in D.82-11-086 issued November 17, 1982, on Edison's A.61066 for a zero-interest loan and cash incentive program, be partially rescinded to permit cash rebates and/or loans on such houses for pre-coolers, whole house fans, and evaporative coolers. Edison estimates that such a modification to D.82-11-086 would result in the installation of approximately 800 additional measures at an annual saving of 1,769,600 kWh. Staff recommends that the revision be permitted for pre-coolers and whole house fans until such a time that they are included in the point system for new residential building standards, but that evaporative coolers continue to be ineligible for rebates and/or loans on the basis that the proposed modifications could create a disincentive for builders to install evaporative coolers. We agree and will adopt staff's recommendation on this item.

3. Edison proposes a \$120 cash rebate or 8% financing for the replacement of a permanently installed wall or window air-conditioning units having an Energy Efficiency Ratio (EER) of 6 or less with one with an EER of 9 or greater. Edison estimates that such a measure would result in 2,500 additional measures with annual energy savings of approximately 2,055,000 kWh. On the basis that many people rely on such units as their only source of cooling, staff recommends approval of the proposed change to improve the installed level of efficiency. We agree.
4. Edison seeks to remove the RCS audit requirement as a condition for financing the following measures:

<u>Measure No Longer Requiring an RCS Audit</u>	<u>No Audit Areas</u>
Wall insulation)	Systemwide
Whole house fans)	
Heat pump water heaters)	Wherever resistance heating is used.
Floor insulation)	
Central heat pumps)	

Edison notes that effective January 1, 1984 heat pumps, heat pump water heaters, and whole house fans no longer require an RCS audit for eligibility for State conservation tax credits. The other cost-effective measures listed above, i.e. clock thermostats, evaporative coolers, pre-coolers, and replacement

air-conditioning, still require an RCS audit recommendation for eligibility for State energy tax credits. We believe that Edison should have the same criteria for eligibility of rebates and/or financing.

Staff believes the proposed modification should be granted. Staff further states that since the above measures are almost always cost-effective, the adoption of the proposed modification could reduce the cost to ratepayers if audits that are not necessarily required are not performed. We are persuaded that the requested elimination of the RCS audit requirement as proposed by Edison and set forth above should be granted for the rebate portion but not the financing portion of the RCFP.

5. Edison requests, and staff recommends, that residential customers with less than 12 months of service be eligible for participation in the loan program if a favorable credit bureau report is received. Edison states that a credit investigation report is more accurate than the present 12 months service requirement for a loan grant determination. We agree and will grant the requested modification.
6. Edison proposes a \$20 cash rebate to install a high efficiency pool pump motor. The \$20 represents the incremental cost difference between the standard and high efficiency pump motor and should promote the more efficient model at the time of replacement. It is estimated that an

additional 8,000 measures will be installed with savings of approximately 1,992,000 kWh. Staff recommends that the proposed modification be authorized for replacement pumps only. We are not persuaded that the proposed modification is more beneficial for replacement pumps than for original installations and will authorize the rebate for all pumps.

7. Edison requests authorization to change the rebate amount paid for attic insulation from the established maximum of \$302 (based on 30c per square foot) to a maximum amount based on the square footage of the actual area insulated (at 30c per square foot). In support of this position, Edison states that houses larger than 1,000 square feet qualify for disproportionately smaller rebates even though insulating the larger residences actually results in saving more energy. Consequently, in order to establish a consistent incentive for all residences, Edison recommends it be allowed to base the rebate on 30c per square foot for the actual area insulated.

At the hearing, the Edison witness, after consultation with staff, changed her testimony and stated her belief that the rebate amount for attic insulation should be at 30c per square foot with a maximum of \$302 for single-family units and \$136 for multifamily units.

Staff recommends that this proposed modification not be authorized on the basis that larger homes are generally proportionately more expensive and their owners generally are proportionately more wealthy and thus able to afford to pick up a larger share of the costs to insulate their homes.

Testimony presented on behalf of Sun Miser indicated that smaller insulation companies paid condominium associations to acquire the contracting jobs, and as soon as Edison became aware of this practice it immediately dropped the \$302 cash rebate to 30¢ a square foot requiring apartment owners and condominium associations to come up with cash out of their pocket with the result that the program was stopped. This witness further testified that the reason for this was that probably 80% of the multifamily residences were rental-occupied and the owners have no reason to invest capital on the apartments since the tenants, not the owner, paid the energy bills. This witness noted that the energy companies will finance at 40¢ per square foot and believes that it would be equitable to match the rebate with the financing amount, i.e. a 40¢ per square foot rebate for attic insulation.

This witness further testified it was his experience that much of the existing R-19 insulation is substandard. He recommends that in those cases the homes should be brought up to R-30, the current standard in Title 24 standards of the California Energy Commission.

Edison's revised position, concurred in by staff, appears reasonable and we will adopt an attic insulation rebate of 30¢ per square foot with a maximum of \$302 for a single-family unit and \$136 for a multifamily unit.

As previously stated, we are establishing financing limits on attic insulation up to 52¢ per square foot, somewhat above the 40¢ per square foot limit referred to by Sun Mizer's witness. We are not persuaded that rebates equal to the financing limits are justified and will maintain the present 30¢ per square foot limit.

The testimony by Sun Mizer to the effect that Edison changed its policy of granting a flat rebate of \$302 per unit to a policy of granting rebates solely on the basis of 30¢ per square foot of area insulated with a maximum rebate of \$302 per unit merely indicates that Edison became aware that it had been improperly applying its rebate rules and, therefore, changed its practices to conform fully with the rules.

It should be noted that at the present time rebates are given only if R-11 or greater is added to achieve a level of R-19. If the total of the existing insulation plus the R-11 addition exceeds R-19 then the installation will not qualify for loans or rebates unless recommended as cost-effective by a utility energy audit. At the present time the rebate is 30¢ per square foot of attic insulation, up to \$302 or the cost of the job, whichever is less. As previously stated, we will limit the rebates to the lesser of 30¢ per square foot or \$302 for single-family units and \$136 for multifamily units.

8. Edison proposes to offer low-income customers double the currently authorized rebate amounts for heating and cooling measures not to exceed the actual installed cost of the measure. Edison estimates that an additional 671 measures will be installed with a 1,579,424 kWh of energy saving. Edison states that such double rebates for low-income customer installations is necessary to encourage equitable participation by the low-income customers. Staff believes that doubling the heating and cooling rebates for low-income customers should be part of Edison's continuing efforts to involve all customers in conservation programs. It notes, however, that there are federal and state funds available for such purposes and suggests that Edison make efforts to develop these sources of funds whenever possible before using ratepayers' dollars. Under these circumstances, staff supports the proposed modification with the qualifier that Edison must seek and use federal and state funds available for this purpose before funds are taken from RCFP. Staff position appears reasonable and will be adopted.
9. Edison proposes to include the CAR program in RCFP. No changes are planned for CAR but because it was previously funded by a carry-over of unspent conservation funds, its inclusion as a specified program under CLMAC is considered a modification to RCFP. It is estimated that 1,400 measures will be installed as a part of the CAR program resulting in annualized savings of 32,116,000 kWh. Staff recommends the proposed modification be authorized not only because it is very cost-effective, but it will also enable

Edison to reach the landlord and thus promote conservation actions for the individual units. We agree and will adopt the proposed modification.

The following tabulation compares the original 1984 RCFP component goals with the 1984 amended projections. These figures will be used in our adopted tariff changes, but the above-discussed adopted modifications are to be used for the year 1985 computations.

<u>Component</u>	<u>1984 Original Projections</u>		<u>1984 Amended Projections</u>	
	<u>Measures</u>	<u>kWh/ Savings</u>	<u>Measures</u>	<u>kWh Savings</u>
Single-family	27,486	27,866,870	48,112 ^{a/}	22,791,902
Multifamily	7,055	4,516,195	41,356 ^{b/}	6,519,634
Energy Efficient Refrigerator	40,000	29,920,000	40,000	29,920,000
CAR	<u>1,400</u>	<u>32,116,000^{c/}</u>	<u>1,400</u>	<u>18,688,600</u>
Total	75,941	94,419,065	130,868	77,920,136

- a/ Of these measures, 26,936 are for attic insulation and 9,258 for other weatherization measures (caulking, weather stripping, and duct wrap) for a total of 36,194 weatherization measures (75%).
- b/ Of these measures, 29,706 are for attic insulation and 11,194 for other weatherization measures for a total of 40,900 weatherization measures (99%).
- c/ These savings are from proposed modifications which, because of time factors, will not be fully implemented in 1984.

Cash Incentive Program

Single Family	1,725,000	4,427,000
Multifamily	300,000	4,033,000
CAR	750,000	113,000
Refrigerator	1,500,000	2,083,000
Contracts and Grants	<u>297,000</u>	<u>-</u>
Subtotal	4,572,000	10,656,000
Grand Total	<u>\$9,800,000</u>	<u>\$14,914,000</u>

In light of the above, our initial inclination is to authorize a funding level for Edison's 1984 RCFP program on the order of \$15-\$17 million. However, we recognize that in doing so, Edison's RCFP program would come to an abrupt halt. This is because Edison has already expended \$18 million on its RCFP program to date. While we in no way condone ~~SCE's~~ accelerated expenditures prior to Commission authorization, we also do not wish to see the program terminate ^{at this time} ~~at this time~~. We will therefore authorize \$28 million for RCFP over the 18 month period from January 1, 1984 to June 30, 1985. This figure represents a maximum limit for RCFP program expenditures. Edison is directed to pace its program activities to ensure its continuance throughout the funding period. Edison is authorized to reduce the size of cash incentives as it seems appropriate, in to order pace program activities. We direct parties to closely evaluate the cost-effectiveness of this program, in light of our comments above, in Edison's next offset proceeding.

Further, as discussed in our recent decision (D.84-07-107) on PG&E's 1984 ZIP and RCS programs, we view these programs as temporary, and not to be institutionalized. In this proceeding, staff originally recommended that the RCS program be terminated at the end of 1984, similar to the termination of SoCal's RCS program as authorized by D.83-12-061. Edison, however, notes that it and staff have addressed the complicated issues related to the future of Edison's residential program beyond 1984 within the context of Exhibit (SCE-12) of the Test Year 1985 Rate Case (A.83-12-53) and through corresponding data requests. Edison believes that these issues extend beyond this CLMAC filing and that they should continue to be addressed in the Test Year 1985 Rate Case Proceeding. This position appears reasonable and will be adopted. We direct parties to address a termination date for Edison's RCFP programs in the next offset proceeding.

With regard to the nine proposed program modifications, we note that most of them expand eligibility for the cash rebate programs. In view of our comments above, we do not believe that eligibility should be expanded at this time. Therefore, we do not adopt SCE's proposed modifications #1, #2, #3 and #6 listed above. Consistent with our recent decision in PG&E's offset proceeding, we will remove the RCS audit requirement from heat pumps, water heaters, whole house fans, and floor insulation (where electric resistance heat is used). The other measures proposed by Edison under modification #4 will still require an RCS audit as a condition for rebates or financing.

We find modification #5, pertaining to eligibility requirements in the loan program to be reasonable, and will grant the requested modification.

Modification #7 requires further discussion. At the hearing, the Edison witness, after consultation with staff, changed her testimony and stated her belief that the rebate amount for attic insulation should be at 30c per square foot with a maximum of \$302 for single-family units and \$132 for multifamily units.

Staff recommends that this proposed modification not be authorized on the basis that larger homes are generally proportionately more expensive and their owners generally are proportionately more wealthy and thus able to afford to pick up a larger share of the costs to insulate their homes.

The 1984 RCFP goals as originally filed are shown below:

	Base			Modifications		
	Measures	Dwelling Units	Savings	Measures	Dwelling Units	Savings
Single Family	14,670	11,800	18,558,656	12,816	10,317	9,308,214
Multifamily	5,000	3,900	1,654,985	2,055	1,603	2,861,210
Energy Efficient Refrigerator	40,000	40,000	29,920,000	0	0	0
CAR	0	0	0	1,400	1,400	32,116,000
Total	59,670	55,709	50,133,164	16,271	13,320	44,285,424

In order to adopt 1984 RCFP goals for this proceeding, we direct SCE to submit an advise letter filing with appropriate adjustments to its goals, based on or adopted funding level and program modifications.

We will make the order in this decision effective through June 30, 1985. This was recently done in PG&E's RCS proceeding (D.84-07-107) in order to avoid the problem of processing another decision on this subject during the end of the calendar year, when Commission agendas are heavy. We will permit, however, an advise letter filing pertaining to programs other than RCFP for the final 6 months of the 18-month period. We emphasize, however, that the advice letter should address only the most essential items.

RCFP Rates

Tabulated below are the specified program expense rate and balancing rate using Edison's 1984 RCFP forecast expenditures of \$12,989,000 for the five-month period August 1, 1984 through December 31, 1984 and the estimated balancing account under-collection of \$13,100,000 as of August 1, 1984.

<u>Item</u>	<u>Cost (\$M)</u>	<u>Sales (M² kWh)</u>	<u>Rate (c/kWh)</u>
<u>Specified Program Expense Rate</u>			
Residential Conservation Financing Program Expenditures	12,989		
Plus: Franchise Fees and Uncol- lectible Accounts Expense	<u>133</u>		
Specified Program Expense Rate	13,122	24,411 ^{a/}	0.054
<u>Balancing Rate</u>			
Estimated Balance in the Resi- dential Conservation Financing Program B/A on January 1, 1984	13,100		
Plus: Franchise Fees and Uncol- lectible Accounts Expense	<u>134</u>		
Balancing Rate	13,234	56,437 ^{b/}	<u>0.023</u>
Current Specified Program Rate for the Residential Conservation Financing Program			0.077

a/ Five months sales commencing August 1, 1984
adjusted to reflect 10 M² kWh for Schedule
No. DE discount.

b/ Adjusted to reflect 25 M² kWh for Schedule
No. DE discount.

j. No RCS audit should be required for any Edison customers with electric space heating to collect a rebate or receive a loan on wall and/or floor insulation, central heat pumps, heat pump water heaters, and whole house fans.

15. The 1983 RCFP-recorded expenses of \$14,914,000 are reasonable.

16. The 1983 RCFP achievements of 64,628 measures financed or rebated as compared to the 1983 goal of 51,392 measures are reasonable.

17. The Edison-recommended 1984 RCFP budget of \$31,552,000 as set forth on page 23 of this decision, together with the 1984 RCFP goals set forth on page 25 of this decision, are reasonable.

18. Edison customers who have permanently installed wall or window electric air-conditioners that cool the majority of the residence should be eligible for cash rebates or loans for pre-coolers, evaporative coolers, and replacement high-efficiency air-conditioners (provided the replacement units do not have greater cooling capacity than the original units) with an RCS audit recommendation.

19. Houses built after November 17, 1982 should be eligible for cash rebates or loans for pre-coolers and whole house fans, but not evaporative coolers.

20. A \$120 cash rebate or 8% financing should be available for the replacement of permanently installed wall or window air-conditioning units having an EER of 6 or less with a unit having an EER of 9 or greater.

21. It is reasonable to remove the RCS audit requirement as a condition for cash rebates for central heat pumps, heat pump water heaters, and whole house fans, as described in this decision.

22. Edison customers with less than 12 months of service should be eligible for participation in RCFP loan programs if a favorable credit bureau report is received.

23. A \$20 cash rebate is reasonable as an incentive for Edison customers to install a high-efficiency pump motor.

24. A rebate amount for attic insulation equal to the lesser of 30¢ per square footage of the actual area insulated or \$302 for single-family units or \$136 per unit for multifamily units.

25. A rebate for low-income customers equal to double the currently authorized rebate amounts for heating and cooling measures not to exceed the actual installed cost of the measure is reasonable.

26. It is reasonable to include the CAR program in RCFP.

27. A separate balancing account and rate should be provided for each specified program to formally reflect the current practice of separately accounting for each specified program.

28. Tariff changes to formally reflect in the CLMAC the use of CFC for administrating and financing loans under the RCFP should be effected.

29. A CLMABF rate of 0.094¢/kWh consisting of a SRDP rate of 0.001¢/kWh, a RCS program rate of 0.016¢/kWh, and a RCFP rate of 0.077¢/kWh are reasonable and should be authorized.

30. The above CLMABF rate of 0.094¢/kWh should be applied uniformly across the board to all applicable rate schedules and no modification to any ECABF rate should be made as a result of this application.

31. The energy rate for steel producers' rate schedules SP-1, 2, and 3 should be 5.480¢/kWh for regular service and 4.305¢/kWh for interruptible service.

Conclusions of Law

1. Edison should be authorized to modify its RCFP in accordance with the staff recommendations as described in Finding 14.
2. Edison should be authorized to modify its RCFP and RCS programs as described in Findings 18, 19, 20, 21, 22, 23, 24, 25, 26, and 27.
3. Edison should be authorized to modify its tariffs to formally reflect in the CLMAC the use of CFC for administering and financing loans under the RCFP.
4. Edison should be authorized a CLMABF rate of 0.094¢/kWh.
5. A rate for steel producers' rate schedules SP-1, 2, and 3 of 5.480¢/kWh for regular service and 4.305¢/kWh for interruptible service conforms to PU Code Section 742.
6. The increase in rates and charges authorized by this decision of approximately \$38,369,000 is just and reasonable; the present rates and charges, insofar as they differ from those ordered in this decision, are for the future unjust and unreasonable.
7. Because the contemplated revision date of the CLMABF has already passed, this order should be effective as of the date of signature.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison) is authorized to file revised tariff schedules conforming to the Findings of Fact and Conclusions of Law included in this decision and providing for:

- a. A conservation load management adjustment billing factor of 0.094 cents per kilowatt-hour (c/kWh) applied uniformly across the board for all applicable rate schedules with no energy cost adjustment billing factor modification.
- b. A separate specified program balancing account, a specified program expense rate, and a specified program balancing rate for the Demonstration Retrofit Solar Water Heating Financing Plan, the Residential Conservation Financing Program, (RCFP) and the Residential Conservation Service Program (RCS).
- c. The use of the Conservation Finance Corporation for administering and financing loans under the RCFP.
- d. The modification of steel producers' rate schedules SP-1, 2, and 3 to reflect a regular energy rate of 5.480c/kWh and an interruptible energy rate of 4.305c/kWh.

This filing shall comply with General Order Series 96. The effective date of the revised schedules shall be not less than five days after filing. The revised schedules shall apply only to service rendered on and after their effective date.

2. Edison is authorized to modify its RCFP in accordance with the staff recommendations set forth in Finding 14.

3. Edison is authorized to modify its RCFP and RCS program as described in Findings 18, 19, 20, 21, 22, 23, 24, 25, and 26.

4. Within 90 days of the effective date of this decision and monthly thereafter, Edison shall file a report of each low-income contract and grants awarded in 1983 and 1984 setting forth the value for the product received for each contract.

5. The application is granted as set forth above.

This order is effective today.

Dated AUG 1 1984, at San Francisco, California.

Commissioner Priscilla C. Crow,
being necessarily absent, did
not participate

Commissioner William T. Bagley
being necessarily absent, did
not participate.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
DONALD VIAL
Commissioners