

Decision 84 11 005

NOV 7 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY for authority to
increase its electric and gas tariffs
under its Solar Financing Adjustment
clause authorized by Decision No.
92906, as modified by Decisions Nos.
93272 and 83-06-063.

Application 83-12-03
(Filed December 2, 1983)

(Electric and Gas)

O P I N I O N

In this application, Pacific Gas and Electric Company (PG&E) requests authority to revise its electric and gas rates and charges effective January 1, 1984, pursuant to the Solar Financing Adjustment (SFA) clause in its electric and gas tariffs authorized in Application (A.) 60056 by Decision (D.) 92906 dated April 7, 1981, as modified by D.93272 dated July 7, 1981, and D.83-06-063 dated June 15, 1983. The proposed rates will increase PG&E's electric revenues by about .02% or approximately \$636,000 and will increase gas revenues by about .06% or approximately \$2,362,000 for the 12-month period, January 1, 1984, through December 31, 1984.

The application states that the SFA rates will support PG&E's portion of the Commission's Demonstration Solar Financing Program (Demonstration Program). The Demonstration Program was created under the Commission's Order Instituting Investigation (OII) 42, by D.92251 dated September 16, 1980, as modified by numerous subsequent decisions.

In the event the Commission determines that PG&E need not carry out certain activities specified in the application in connection with its portion of the Demonstration Program during 1984,

PG&E proposes a smaller gas rate increase. In that case, gas revenues will increase only by about .01% or approximately \$386,000 for the 12-month period, January 1, 1984 through December 31, 1984.

PG&E requests ex parte consideration of this application, which it believes is appropriate because PG&E only is seeking to pass on, dollar for dollar, those costs necessary to carry out PG&E's portion of the Commission-mandated Demonstration Program, including adjustments of over- and undercollections in SFA balancing accounts. The application states that PG&E's program already has been thoroughly reviewed and approved by the Commission and the requested SFA rate increases will have a very small effect on PG&E's rates and charges, increasing gas and electric rates less than one-tenth of 1%.

Notice of filing of the application was provided in accordance with Commission's procedures. There was one request for hearing by a PG&E customer who asked that hearing be held so that the public may review the need for the rate increase. Our staff has reviewed the application and has submitted its report dated September 14, 1984. The staff report was served on PG&E and is made part of the record as Exhibit 1. The staff report recommends that the application be processed ex parte if the recommendations in the report are adopted. No exceptions to the staff's recommendations were filed by PG&E and, other than noted above, no request for public hearing was made.

Program Goals and Termination

The following table from the staff report in Exhibit 1 summarizes PG&E's achievements as of December 31, 1983 for the implementation of the three-year solar water heating demonstration program which offered low-interest loans and cash rebates:

<u>Item</u>	<u>Single-Family Cash Rebate</u>		<u>Low-Income Grants</u>	<u>Multifamily Cash Rebates</u>
	<u>Electric</u>	<u>Gas</u>		
Established Goals	37,140	Rebate (9,000) Loans 5,470	5,000	102,100
Loans/Rebates Approved	10,820	10,183	4,832	20,478
Percent Achievement	29%	70.4%	96.6%	20.9%

The utility was approximately 26,300 short of its goal for single-family electric rebates and approximately 4,280 systems below its single-family gas quota. The remaining activity for this phase of the program will include cash rebate quarterly payments, accounts maintenance, and other associated program closeup work.

The low-income grant portion of the OII 42 program was completed on December 15, 1983. No further activity in this portion of the program is planned for 1984 and subsequent years.

D.83-09-076 dated September 30, 1983 extended the multifamily phase of the solar demonstration financing program through 1984. September 15, 1984 was selected as the cutoff date for acceptance of new applications, and December 15, 1984 for the installations to pass local jurisdiction inspections. As of December 31, 1983, the utility had passed inspections on 21,328 units and the owners of 20,478 multifamily units were receiving rebates. The utility anticipates up to 70,000-75,000 new multifamily applications may be processed before the current termination date. Nevertheless, it appears the utility will not achieve its original quotas in the multifamily category.

The only major activity relating to this program for the subsequent years will be in the area of accounts maintenance for quarterly payment of cash rebates. Since the total monthly payments for rebates and related expenses for the solar demonstration program

are expected to gradually decline after 1984, there is no need for the utility to continue requesting annual rate relief for the demonstration solar program by separate filing. In view of this, staff recommends that the utility should discontinue its annual solar financing adjustment filings and incorporate any subsequent requests in its general rate relief proceedings. Also, during the proceeding, it can be decided as to the necessity of continuing SFA and the balancing account for OII 42.

Staff Recommendations

The staff report analyzes the specific requests made by PG&E. The staff report states that the application seeks a total increase of \$10,423,881, consisting of \$2,889,471 for the electric department and \$7,534,410 for the gas department. These amounts would cover increased solar demonstration program expenses during 1984 for the following major items:

- a. Utility rebates of \$8,514,516 to single- and multifamily units for installation of solar/electric (single-family only) and solar/gas hot water heating systems.
- b. Utility program administering costs of \$432,037 to reimburse the utility's expenses associated with participation in the solar program.
- c. Utility evaluation costs of \$519,461 to cover the utility's participation in the program's monitoring and evaluation effort.
- d. Low-income component costs of \$957,867 to cover ongoing 1983 contracts and termination of the low-income phase.

In addition, the utility asks that actual expenditures incurred during 1983 be found both just and reasonable.

The staff report takes exception to various budget and other items proposed in the application and recommends the adoption

of different amounts. The discussion and recommendations cover the following subjects:

- a. Determination whether the utility's expenditures for 1983 were just and reasonable.
- b. Evaluation of the reasonableness of the utility's estimated expense and budgeted rebate proposals for 1984.
- c. Review of the demonstration solar hot water heating program goals and termination plans.

We will discuss those in more detail as follows:

Approval of 1983 Expenses

In this application as filed, PG&E used nine months of recorded data and three months of estimated data in presenting the various cost components for its 1983 expenses. (Exhibit B, Table 6c of A.83-12-03.) Staff requested an update of the 1983 cost components utilizing recorded costs and has used those data for its evaluation.

In October 1980, PG&E began offering cash rebates of \$20 per month to single-family homeowners who installed solar hot water heaters. This rebate was paid quarterly for a period of:

- a. 48 months to single-family residences with a gas backup.
- b. 36 months to single-family residences with an electric backup.

Table 1, which follows, sets forth a comparison of the forecasted 1983 expenses adopted in PG&E's last SFA application, the 1983 expenses claimed by PG&E, and the staff Energy Branch (EB) recommendations.

TABLE 1

PACIFIC GAS AND ELECTRIC COMPANY
Solar Financing Adjustment Application

1983 Expense
(Dollars in Thousands)

Line No.	Item	Authorized (a)	Applicant Proposed (b)	EB Staff Recommendation (c)
<u>Incentive Payments</u>				
1	Utility Credits (Single Family)	\$ 4,767	\$ 4,928	\$ 4,928
2	Utility Credits (Multifamily)	1,174	1,676	1,676
3	Low-Income Grants	<u>2,563</u>	<u>2,402</u>	<u>2,402</u>
4	Subtotal	8,504	9,006	9,006
<u>Administrative Costs</u>				
5	Labor	1,702	814	814
6	Materials & Supplies	-	9.2	9.2
7	Other Direct Costs	-	23	23
8	Contracts and Outside Services	-	99	99
9	Employee-Related Costs	-	30.3	30.3
10	Corporate Allocations	<u>-</u>	<u>44</u>	<u>-</u>
11	Subtotal	1,702	1,020	976
<u>Evaluation Costs</u>				
12	BBW, Inc. Contract	-	89	89
13	PG&E Coordination	-	75	18.5
14	Monitoring Equipment Installation	-	204	116
15	Monitor Equipment	<u>-</u>	<u>156</u>	<u>112</u>
16	Subtotal	-	524	336
17	Total Program Costs (L4 + L11 + L16)	10,206	10,550	10,318

The differences in each item of Expense are discussed under the following subheadings.

Utility Credits (Single Family)
(Table 1, Line 1)

As of December 31, 1983 approximately 10,585 solar hot water installations for single-family residences with gas backups have passed inspection and 10,183 customers were receiving rebates. This amount represents 70% of its original goal of 14,400.

In the single-family/electric area, 10,985 solar hot water installations had passed inspections and 10,820 customers were receiving rebates. This amount represents approximately 29% of its original goal of 37,140.

In D.83-06-063, the expected market penetration in Single-Family Electric (SFE) was estimated to be 4,008 systems. However, based on actual data only 3,353 SFE systems qualified in 1983 or 84% of the 1983 goal.

Full market penetration in this sector was not achieved because SFE customers live in isolated areas with relatively few solar contractors. Other factors included uncertainty regarding product quality, expected energy savings, and net return on their investments. Additionally, the marketing activity by the solar industry was very limited and the utility responsibility for further market penetration was curtailed by the Commission directive. After a thorough review of the utility's workpapers and the number of new installations qualifying each month for the single-family rebate program, the EB staff is satisfied with the customers' participation and agrees with the utility's request.

Utility Credits (Multifamily)
(Table 1, Line 2)

The multifamily rebate program also started in October 1980. Under this program, the utility offers a cash rebate of \$8 per

month per unit for a period of 36 months paid quarterly to the owners of multifamily dwellings for the installation of solar/gas water heating systems.

During the summer of 1983, because of the original pending termination date of September 15, 1983, the utility experienced an unexpected high interest shown by the owners of multifamily units for central service solar/gas hot water system installments. The utility estimated in D.83-06-063 that 9,060 systems would qualify for rebates in 1983. Actual penetration was 12,185 or approximately 34% more than had been estimated. The impact of the multifamily extension bill, approved in September, was influential in affecting the marked increase. In total, 21,328 units have passed inspection at the end of 1983 and 20,478 units are receiving rebates. This represents 21% of PG&E's estimated goal of 102,000. Pursuant to D.83-09-076 dated September 30, 1983, the remaining solar/gas hot water heating installations have to pass local jurisdiction inspection on or before December 15, 1984 to qualify for the rebates. Since the utility has approximately 81,622 units capable of receiving rebates before its quota is met, it does not appear that all of these units will be installed prior to December 15, 1984.

During the first nine months of 1983, PG&E paid \$947,702 in rebates to the owners of multifamily units. For the remaining three months, the utility recorded rebate payments of \$727,850 for a total of \$1,675,552 for 12,185 multifamily units for 1983. After a thorough review of the utility's workpapers and the latest recorded information, the EB staff accepted the utility's estimated rebate payments of \$1,675,552 to the owners of multifamily units as reasonable although this amount is \$505,552 higher than the amount of \$1,170,000 authorized in D.83-06-063 for 9,060 units.

Low-Income Grant
(Table 1, Line 3)

D.92251 dated September 16, 1980 required each participating utility to devote 10% of the three-year solar hot water heating demonstration program funding to low-income grants. PG&E, with the assistance of appropriate local housing authorities located in its service area, offered grants to low-income housing projects.

At the end of December 1983, 140 solar water heating installations serving 4,832 households were provided by approximately \$3,239,305 in low-income grants. This amounts to approximately \$670 per living unit or \$23,138 per system. The staff accepts this recorded cost as a reasonable cost when compared to Single-Family Solar System installation cost.

Administrative Costs

The amounts charged to this account are for expenses incurred by the utility during the administration of the OII 42 Solar Financing Demonstration Program. These expenses include the following: accounting, customer inquiries, systems inspections, postage, program-related supplies data processing, and other labor-related expenses chargeable to the program. Specifically, these administrative costs are allocated categories that are described below.

Labor (Table 1, Line 5)

The utility reported \$814,273 for costs incurred in the calendar year 1983 for clerical, inspection, technical, managerial, and professional labor-related to administration of the OII 42 program. Corporate labor allocations, amounting to 18.6% of total labor costs, are charged to this account. D.83-06-063 authorized \$1,701,989 for labor expenses in 1983. After reviewing the utility operations relating to the solar program, the EB staff agrees with the utility's recorded amounts of \$814,273 for 1983.

Materials and Supplies
(Table 1, Line 6)

The utility recorded expenses of \$9,279 in 1983 for costs associated with program literature and other office supplies. This contrasts with the \$2,448 for literature authorized in D.83-06-063. Most of these costs were attributed to the distribution of program fact sheets for single-family electric and multifamily customers. Also, all inspection forms, rebate processing supplies such as checks and envelopes and other associated office supplies are included in this amount. Staff does not view the amount of \$9,279 as excessive.

Other Direct Costs
(Table 1, Line 7)

PG&E recorded \$23,033 in 1983 as expenses associated entirely with teleprocessing and computer time required to produce rebate checks and to update rebate payment accounts. D.83-06-063 authorized \$65,000 to compensate for 1983 rebate check processing and mailing costs. That decision also aggregated the \$65,000 amount as part of the total program costs. The 1983 estimate assumed that a larger number of rebate checks would be mailed out in 1983. Nevertheless, EB staff believes that the recorded costs are justified.

Contracts and Outside Services
(Table 1, Line 8)

For 1983, the utility recorded expenses of \$99,061. These costs were expended for such activities as temporary agency labor, computer equipment rental, and other services (fees, solar organization memberships program-related expenses, program-directed vehicles).

Temporary agency labor was used to speed up the processing of the rebate checks, without resorting to hiring any additional utility staff. Computer equipment rental was for equipment and

hardware dedicated entirely to the acceleration of rebate payments. EB staff believes that the expenses for this category are reasonable.

Employee-Related Costs
(Table 1, Line 9)

PG&E recorded expenses of \$30,297 for car expenses, meals, and other reimbursements associated with utility employee-program administration. Because this category was not explicitly covered in D.83-06-067, staff believes that this amount would come under overhead. Overhead of \$108,354 was authorized in D.83-06-063 which may also include the category of corporate allocations. This entry is accounted for in 1983 under its own category. These costs cover expenses required for program administration such as travel, site inspection, and customer meetings. As these costs have been averaging approximately \$2,500 per month, EB staff feels these expenses are not unreasonable and should be allowed.

Corporate Allocations
(Table 1, Line 10)

For 1983, the utility requested \$44,000 for corporate allocations. This entry does not appear in D.83-06-063 but would most likely have been allocated as a component cost associated with overhead. These allocations include expenses for PG&E vehicle mileage, specific equipment and warehouse expenses, and certain postage costs. However, in the labor entry (Table 1, Line 5), corporate allocations are already booked. As a component of the total labor expenses, PG&E assigns an 18.6% factor to these total costs to account for corporate allocations. Referring to the workpapers provided by the utility, PG&E provides the following explanation for corporate allocations as a labor expense:

"These expenses are charged to clearing accounts and are then allocated to specific program accounts according to the percentage of total direct labor charges which the program accounts have recorded."

In the other corporate allocations entry (Table 1, Line 10) the following description is given:

"Corporate allocations represent expenses charged to various clearing or suspense accounts which are then allocated to program accounts to the percentage of direct labor charges which the program accounts have recorded."

EB staff believes the utility does not provide, through their workpapers, proper justification regarding the differences in accounting for this entry. In addition, staff believes that this allocation has already been accounted for in the general rate case. Therefore, staff recommends that the \$44,000 amount be disallowed.

Evaluation Costs (Table 1, Line 12)

In 1982, BBW, Inc., an independent consulting firm located in San Francisco, was selected to both develop and coordinate a monitoring and evaluation activity relating to the three-year solar hot water heating demonstration program. The monitoring program required PG&E to install approximately 432 meters at various locations to monitor the performance of the solar hot water systems. Of these, 63 meters have been installed at multifamily installations and the remaining 369 meters at single-family dwellings.

The contract amount of \$750,000 was authorized by the Commission for the monitoring activities. Of the four participating utilities, PG&E's portion equals 42% of the total cost or \$315,000. PG&E expended \$78,750 in 1982 and recorded \$88,752 for costs in 1983. This amount is \$10,002 more than the \$78,750 allowed in 1983 in D.83-06-063. After a review of PG&E's workpapers, EB believes the charges to this account are reasonable and recommends no adjustment.

PG&E Coordination (Table 1, Line 13)

Coordination is the labor necessary for general office and division management of solar monitoring equipment installations and data collection. Much of this data collection focuses on meter reading of the various sites where monitoring equipment is located.

Dr. Ron Lipton is coordinating the monitoring phase of the solar program for the CPUC. The following are comments submitted to EB by Dr. Ron Lipton:

Meter Reading: The figures claimed by PG&E do not match the work we know to have been done. Meter readings have been irregular and over 75% of the direct meter reads have been taken by customers, rather than by PG&E personnel. In addition, the readings have shown an inordinate error rate, and we feel that the ratepayers should not be responsible for PG&E's failure to adequately perform this aspect of the monitoring program.

All of the data collected by PG&E prior to March 1984 was deleted by PG&E from consideration because of numerous errors. Staff believes that the \$75,000 requested by the utility is excessive. Staff recommends that 25% of this amount or \$18,750 be granted based on the lack of adequate substantiation by the utility.

Monitoring Equipment Installation
(Table 1, Line 14)

PG&E requests \$203,829 for these expenses in 1983.

PG&E installed 369 single-family sites, monitoring equipment using its own general construction crew. A data response provided by PG&E to the EB staff on May 7, 1984 indicate that total labor cost for a two-man crew per installation was \$560 for a total estimated single-family installation cost of \$181,917. As a comparison Southern California Gas Company (D.84-06-090 dated June 6, 1984, A.83-09-24) was authorized expenses of \$176,710 for installation of 483 single- and multifamily monitoring systems. This amount, although applicable to both single- and multifamily systems, equals approximately \$366 per installation. Staff concludes PG&E's costs of \$560 per installation by its own crew for single-family homes is excessive.

PG&E has contracted with independent solar firms to install 63 multifamily systems: 55 systems are installed under the rebate portion of the program and 8 as part of low-income portion of the

program. Staff assumes all of these installations were to be done in 1984 and therefore none are included in 1983 expenses.

Dr. Lipton's staff memo of August 14, 1984 states:

Single Family: We were told on numerous occasions that each two-man crew was installing two systems per day. Therefore, it seems appropriate to allocate to them (PG&E) 8 man-hours per installation including travel. Calculating from Attachment 3, Item B, we should give them (PG&E) 8/14th (58%) of what is claimed for single family. This comes to \$99,610.

Multifamily: We were told each crew is completing one job in less than a day. Therefore give them (PG&E) a total of 15 man-hours per job, including travel, or 15/26.5th (58%) of the amount requested in Item B. Therefore, for 1983, the amount should be \$16,711.

Staff recommends allowing \$116,321 (\$99,610 + \$16,711) for equipment installation.

Monitoring Equipment
(Table 1, Line 15)

For 1983, the utility requested approximately \$156,000 for monitoring equipment installed on 369 single-family and 63 multifamily systems. Since the utility has not provided clear indication on exact amounts of each system type installed in 1983, staff assumes that the single-family installations were all made in 1983 and all multifamily installations will be made in 1984. Therefore, using \$303.91 as the component cost per single-family installation (per Attachment 6 of PG&E Data Response of August 14, 1984) staff estimates that \$112,142 (369 S.F. units x \$303.91) as a reasonable expense for 1983.

Discussion of 1983 Program Expenses

We have reviewed the adjustment to PG&E's 1983 expenses recommended by the staff and find that the staff adjustments are supported and are reasonable.

1984 Program Expenses

Table 2 set forth below contains a comparison of applicant's request for 1984 program expenses with the expense estimates of our staff:

TABLE 2

PACIFIC GAS AND ELECTRIC COMPANY
Solar Financing Adjustment Application

1984 Estimated
(Dollars in Thousands)

Line No.	Item	1984 Estimated Applicant	1984 Estimated Staff	Applicant Exceeds Staff Amount	Percent
<u>Incentive Payments</u>					
1	Utility Credits (Single)	\$ 4,773	\$ 4,773	-	-
2	Utility Credits (Multi)	\$ 3,741	\$ 3,741	-	-
3	Low-Income Grants	957	957	-	-
4	Subtotal	9,471	9,471		
<u>Administrative Costs</u>					
5	Labor	309	309	-	-
6	Materials & Supplies	6.2	6.2	-	-
7	Other Direct Cost	4.3	4.3	-	-
8	Contracts and Outside Services	75.1	75.1	-	-
9	Employee-Related Costs	13.4	13.4	-	-
10	Corporate Allocations	23.6	7.3	16.3	69%
11	Subtotal	432	416		
<u>Evaluation Costs</u>					
12	BBW, Inc. Contract	166	166	-	-
13	PG&E Coordination	147	66	81	55%
14	Monitoring Equipment Installation	147	106	41	39%
15	Monitoring Equipment	58	58	-	-
16	Subtotal	518	396	122	24%
17	Total Program Costs (L4 + L11 + L16)	10,421	10,283	138	1%

The staff analysis of PG&E's 1984 program budget are set forth below:

Single-Family Rebates
(Table 2, Line 1)

Approximately 11,000 single-family solar hot water heating installations in both the electric and gas backup markets qualified for cash rebates by the end of 1983. Since this phase of the program is now over, the only activity in this area during 1984 will be for customer account maintenance. This will result in quarterly rebate payments of \$60 per installation with gas backup for a maximum period of 48 months. Additionally, quarterly rebate payments of \$60 will also be incurred for systems with electric backup for a maximum period of 36 months. Since all of the solar hot water heating installations which qualified for the rebate program were completed by the end of 1983, the EB staff agrees with PG&E's estimate that approximately \$4,773,000 in rebates will be paid in 1984 to owners of single-family homes who participated in the demonstration program.

Multifamily Rebates
(Table 2, Line 2)

PG&E's original established goals projected 102,100 units to be installed and receiving rebates when the program commenced in 1980. As of January 1, 1984, 20,478 units had been inspected and were receiving rebates. Since the multifamily program extension is currently due to expire on September 15, 1984, it appears quite likely that approximately all of the remaining 81,600 units will not be filled. The utility assumes that approximately 64,000 new dwelling units will be eligible through the end of 1984. A review of the utility's workpapers indicate that its estimate of \$3,741,336 for rebates to the owners of multifamily units during 1984 is reasonable.

Low-Income Grant
(Table 2, Line 3)

PG&E's installation quota of 5,000 units was almost met at the end of 1983. Based on the utility's workpapers, \$957,867 is

requested for payments for 1983 low-income contracts which PG&E will expend during the first half of 1984. The low-income grant program ended in 1983, so that the 1984 expenses projected by PG&E are for contracts entered into in 1983. The EB staff concluded that the requested amount is reasonable based on the large numbers of systems installed in 1983.

Labor (Table 2, Line 5)

The utility submitted workpapers projecting labor costs of \$309,387 for 1984 as follows:

Clerical	\$ 61,350	20%
Inspections	149,282	48%
Management & Professional	51,557	17%
Corporate Allocation	<u>47,195</u>	<u>15%</u>
	\$309,387	100%

1984 inflation factors used by PG&E for both labor and nonlabor expenses conform with those values adopted in D.83-12-068 on December 12, 1983, are 1.055 and 1.052, respectively. These inflation factors were used by staff and PG&E for deriving the values in the program administrative costs category. EB believes that the above projections are reasonable.

Materials & Supplies
(Table 2, Line 6)

PG&E projects associated Materials & Supplies costs at approximately \$6,200 for 1984. This is about 55% less than what the utility spent in 1983 when all phases of the program were in existence. However, because of the continuation of the multifamily phase and the carryover of associated program closeout activities from 1983, this cost appears reasonable to EB and it recommends allowing those costs in 1984.

Other Direct Costs
(Table 2, Line 7)

PG&E estimates \$4,300 for direct costs, mostly associated with the teleprocessing of approximately 86,600 rebate checks. This amounts to \$0.05 per rebate check. Since no advertising expenses will be incurred in 1984, the \$4,300 proposed by PG&E does not appear excessive in EB's opinion, and EB recommends that this expense should be allowed.

Contracts & Outside Services
(Table 2, Line 8)

PG&E requests \$75,127 for additional services and contracts, as follows:

Temp. Agency Labor	\$49,209	65%
Computer Equipment Rental	23,960	32%
Other Services	<u>1,958</u>	<u>3%</u>
	\$75,127	100%

These costs are associated with the ongoing rebate accounting effort. Rebate checks will be processed at or greater than the 1983 levels. On a unit-cost basis, this request amounts to \$0.87 per rebate check. Based on the staff review, EB believes, these costs are reasonable.

Employee-Related Costs
(Table 2, Line 9)

\$13,413 is requested by the utility to cover the following expenses:

Personal Car	\$ 7,900	59%
Meals	3,200	24%
Other Miscellaneous Expenses	<u>2,300</u>	<u>17%</u>
	\$13,400	100%

Since this request represents less than half the amount recorded for 1983, staff feels this amount to be reasonable.

Corporate Allocation
(Table 2, Line 10)

The total amount requested by PG&E for this expense category is \$23,558. This amount is made up of two subcomponents:

Mileage Expense	\$7,300	31%
General Administration	\$16,800	69%

While the amount requested is not excessive, EB staff questions why general administrative expenses under this category should be additional expenses over and above those granted in corporate allocations included in labor expense items (Table 2, Line 7). Accordingly, staff feels that general administration should be disallowed as part of the corporate allocation because it has already been factored into the labor component. Therefore, EB concludes that a corporate allocation of \$7,300 is reasonable.

Evaluation Costs
(Table 2, Line 12)

During 1984, PG&E estimates it will spend \$166,413 to cover its percentage (42%) of the BBW, Inc. monitoring and evaluation contract covering the continuing effort to collect monitoring data of all the systems in the monitoring phase of the rebate program. PG&E's share of the total contract cost has been approximately \$313,000. In 1982, \$50,276 was spent on this account. In 1983, approximately \$89,000 was requested and has been approved by the staff. The remaining balance for 1984 is \$173,724. The utility requests \$166,443 or \$7,281 less than the full amount remaining in this account. Based on a review of invoices and calculations provided by the utility, these expenses appear reasonable to EB.

PG&E Coordination
(Table 2, Line 13)

Coordination costs requested by the utility for 1984 are \$147,498. Those costs are allocated to the following groups:

Assume full-time equivalent (FTE)		
staff position	\$31,720	
1. 1.75 FTE general office staff	\$55,510	38%
2. Division staff, FTE		
2.9 FTE	\$91,988	62%

These costs involve work associated with both coordination of BBW, Inc. and CPUC data requests and development of metering installation designs for the 63 multifamily systems being monitored. Since the multifamily portion of the program is the only phase still in operation, all 12 personnel the utility's division have been involved, to various degrees, with coordination of meter reading. However, Dr. Lipton's memo of August 24, 1984 states the following:

"In 1984, some attention has been paid to the program by central office personnel, but no improvement in performance has been shown to date. We therefore recommend allocation 0.5 FTE for administration and coordination, plus \$50,000 for Paul Okuda and his associate. Any additional allocation would reward PG&E for lack of performance, and for consistently providing the CPUC staff and BBW with false and misleading information."

EB staff, therefore, recommends allowing \$65,860 as expenses associated with PG&E's coordination costs for 1984.

Monitoring Equipment Installation
(Table 2, Line 14)

PG&E estimates \$147,400 for installation of monitoring equipment as part of the OII 42 program. The \$147,400 figure has the following components:

Single-family installation system	\$ 22,520	15%
Multifamily low income	16,880	11%
Multifamily installation	68,000	46%
Equipment troubleshooter contract	<u>40,000</u>	<u>27%</u>
	\$147,400	100%

PG&E estimates that 40 single-family installations at \$563 per installation should be eligible in 1984. Based on review of the utility's workpapers staff has determined that all multifamily monitoring installations will be completed in 1984. (All single-family installations were completed in 1983). This work consists of monitoring 63 multifamily systems. Fifty-five systems are installed in multifamily sites and eight sites are designated at low-income multifamily sites.

The Lipton memo of August 24, 1984 states:

"Claimed installation costs are not valid, in that too much time is claimed, and the installations were so poorly done that many of them had to be redone."

EB staff believes that the \$68,000 (\$1,236 x 55 systems) requested by PG&E for multifamily installations is excessive. Instead, EB staff recommends allocating \$49,500 (\$900 x 55 systems) as a reasonable expense. Because single-family installations are totally accounted for in 1983 and multifamily installation expenses are allocated at \$49,500, EB staff recommends allowing \$106,380 for monitoring installation expenses in 1984 versus the utility's request for \$147,400.

Monitoring Equipment
(Table 2, Line 15)

PG&E requests \$58,120 for equipment costs associated with the monitoring effort. Based on a review of utility's workpapers and

a data response provided by PG&E on August 27, 1984, EB staff believes that the amount requested is reasonable in that the numbers claimed by the utility to have been installed coincide roughly with the number of systems that are being actually monitored.

Discussion of Projected
1984 Program Costs

We have reviewed the staff analysis and find that the staff's adjustments of PG&E's requested expenses are justified and appear reasonable.

Recommended Rates

The results of the EB staff's recommendation are summarized in Tables 3 (Electric) and 4 (Gas) which follow. The EB staff adjustments will result in an increase of \$0.00005 per therm and \$0.00001 per kilowatt-hour in the Solar Rate component of the SFA which compares to \$0.00008 per therm and \$0.00001 per kilowatt-hour, respectively, as requested by the utility. This will result in a revenue increase of \$881,000 for the 1984 test year.

TABLE 3
PACIFIC GAS AND ELECTRIC COMPANY
Electric Department
SFA Rate
Revenue Requirement
(Dollars in Thousands)

<u>Line No.</u>	<u>Item</u>	<u>Applicant</u>	<u>Staff</u>
1	Estimated Program Costs (Exhibit B, Page 35 A.83-12-03)	\$2,889	\$2,879
2	Estimated SFA Undercollection as of 12/31/83	1,711	1,711
3	Estimated Revenue Requirement (Line 1 + Line 2)	4,600	4,590
4	Provision for Franchise Fees and Uncollectibles (Line 3 x .00793)	<u>36</u>	<u>36</u>
5	Total Revenue Requirement (Line 3 + Line 4)	\$4,636	\$4,626
6	Present SFA Rate	\$0.00007/kWh	\$0.00007/kWh
7	Estimated Sales Subject to SFA	57,145,000 MkwH	57,195,000 MkwH
8	Estimated Revenues at Present SFA Rate (Line 6 x Line 7)	\$4,000	\$4,000
<u>SFA Rates - Dollars Per kWh</u>			
9	Estimated Revenue Increase (Line 5 - Line 8)	\$636	\$626
10	Proposed SFA Rate	\$0.00008/kWh	\$0.00008/kWh
11	Net Increase in SFA Rate (Line 10 - Line 6)	\$0.00001/kWh	\$0.00001/kWh

TABLE 4

PACIFIC GAS AND ELECTRIC DEPARTMENT
Gas Department
SFA Rate
Revenue Requirement
(Dollars in Thousands)

Line No.	Item	Applicant	Staff
1	Estimated Program Costs (Exhibit B, Page 35 A.83-12-03)	\$7,534	\$7,404
2	Estimated SFA Undercollection as of 12/31/83	(\$2,747)	(\$2,747)
3	Estimated Revenue Requirement (Line 1 + Line 2)	\$4,787	\$4,657
4	Provision for Franchise Fees and Uncollectibles (Line 3 x .00793)	<u>37</u>	<u>36</u>
5	Total Revenue Requirement (Line 3 + Line 4)	\$4,824	\$4,693
6	Present SFA Rate	\$0.00093/th	\$0.00093/th
7	Estimated Sales Subject to SFA	4,771,515 Mth	4,771,515 Mth
8	Estimated Revenues at Present SFA Rate (Line 6 x Line 7)	\$4,438	\$4,438
<u>SFA Rates - Dollars Per Therm</u>			
9	Estimated Revenue Increase (Line 5 - Line 8)	\$386	\$255
10	Proposed SFA Rate	\$0.00101/th	\$0.00098/th
11	Net Increase in SFA Rate (Line 10 - Line 6)	\$0.00008/th	\$0.00005/th

Findings of Fact

1. Increased revenues of \$626,000 for PG&E's electric department and \$255,000 for PG&E's gas department are required to offset costs of its 1983 and 1984 solar programs.
2. The rates authorized in this decision will provide PG&E with sufficient revenues to continue its Solar Rebate Program through 1984.
3. PG&E's current SFA rates are \$0.00007/kWh for electric and \$0.00093/therm for gas.
4. Staff recommends new rates of \$0.00008/kWh for electric, or an increase of \$0.00001/kWh, and \$0.00098/therm or an increase of \$0.00005/therm.
5. The recommended rate factors will produce total increased annual revenues of \$881,000.
6. PG&E's current SFA rates are now and for the future unjust and unreasonable. For the future \$0.00008/kWh and \$0.00098/therm are just and reasonable SFA rates.
7. It will be appropriate to retain in effect the SFA rates found reasonable above until further order of the Commission.
8. Since PG&E is already incurring the costs for which additional revenues are provided here, this order should be effective on the date of signature.
9. A public hearing is not necessary.

Conclusions of Law

1. PG&E should be permitted to recover all reasonably incurred expenditures associated with the Solar Rebate Program ordered in OII 42 through its SFA clause.
2. The increases in rates and charges authorized here are just and reasonable.
3. PG&E should be authorized to file and place into effect the rates found reasonable by this decision.
4. PG&E should be authorized to file its next SFA application as part of its next general rate increase proceeding.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order Pacific Gas and Electric Company is authorized to file Solar Financing Adjustment (SFA) clause billing factor rates as follows:

Electric rates \$0.00008 per kilowatt-hour on all sales except to the Department of Water Resources.

Gas rates \$0.00098 per therm on all sales except to Priority 5 and resale customers.

Such filing shall comply with General Order 96-A. The effective date of the revised schedules shall be 4 days after the effective date of filing. The revised schedules shall apply only to service rendered on or after the effective date of this order.

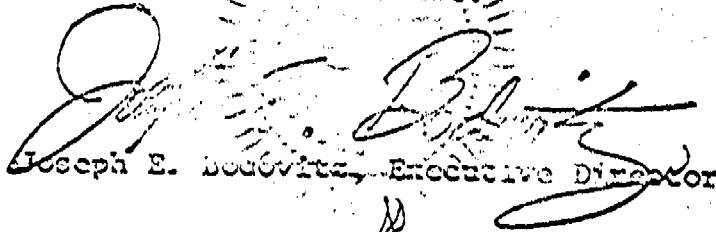
2. Applicant is authorized to make its next SFA application as part of its next general rate increase proceeding.

3. The application is granted in part and denied in part.
This order is effective today.

Dated NOV 7 1984, at San Francisco, California.

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

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


Joseph E. Deovitta, Executive Director