

Decision 84-11-117 November 21, 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|--------------------------------------|---|----------------------------|
| In the Matter of the Application of |) | |
| Southern California Gas Company for |) | |
| Authority to Increase the Conserva- |) | |
| tion Cost Adjustment (CCA) Component |) | Application 83-09-24 |
| in its Effective Rates in Order to |) | (Filed September 12, 1983; |
| Conduct its Demonstration Solar |) | amended November 10, 1983) |
| Financing Program. |) | |

O P I N I O N

Decision (D.) 84-06-090 dated June 6, 1984 authorized Southern California Gas Company (SoCal) to adjust its Solar Conservation Cost Adjustment (CCA) component in its rates to reflect estimated 1984 costs in its Demonstration Solar Financing Program (Solar Program). That decision also ordered SoCal to:

- "2. SoCal shall take immediate action to foreclose on defaulted loans after exhausting all possible means to collect on such defaulted loans. It shall also disclose in detail the amounts and the reason for foreclosure and nonforeclosure of all delinquent accounts in its quarterly advice letter filing.
- "3. SoCal shall not file a separate request for solar related CCA unless the projected expenditures for the given year exceed or decline below the last authorized solar offset amounts by 10%. All other solar related rate adjustment requests shall be included in the general rate case proceedings."

On August 4, 1984 SoCal filed a petition for modification of D.84-06-090 requesting (1) clarification that the solar balancing account was to continue and that any undercollection or overcollection in the solar balancing account be considered as part of the revenue requirements in the next general rate case, (2) confirmation that there was no intention to modify the

calculation of debt service under the cost of service agreement between SoCal and its solar financing affiliate or the quarterly procedure for filing for debt service expenses, (3) that SoCal be authorized to declare the outstanding unpaid balance of loans in default immediately due and payable, (4) elimination of Finding 13 as incorrectly stating the issue of how to handle bad debts, and (5) a mechanism to provide for an annual review of the prudence of program expenditures.

Annual Solar Filing

D.84-06-090 eliminated the annual Solar Program CCA filing but did not address the balancing account. There was no intent to terminate the balancing account and we reaffirm our belief that such treatment is appropriate for expenses incurred in new innovative programs. Such program expenses will be reviewed to ensure reasonableness.

With respect to the treatment of the balancing account expenses in a general rate case, we agree that an existing balance in the CCA account should be treated as an adjustment to the general rate case revenue requirement. An existing overcollection in the balancing account would serve to reduce the general rate case revenue requirement and an existing undercollection would increase the revenue requirement. We did not intend in D.84-06-090 to modify treatment of the balance in the balancing account if the general rate case is used instead of the CCA for recovery of projected Solar Program expenditures.

Debt Service

The treatment of debt service is set forth in the Cost of Service and Term Loan Agreement and Commission Resolution G-2501 dated November 17, 1982 and was not affected by D.84-06-090. The changes made in D.84-06-090 apply only to Solar Program expenses not associated with debt service.

Acceleration Upon Default

D.84-06-090 authorized SoCal to foreclose on defaulted solar loans. Public interest in reducing attendant foreclosure costs requires accelerating payment of the outstanding loan balance in the event of default. Accordingly, SoCal may declare all defaulted sums in its Solar Program immediately due and payable.

Finding 13

Finding 13 of D.84-06-090 states:

"13. The issue of how to handle bad debts should be addressed in the decision dealing with SoCal's petition for modification of D.92251."

SoCal believes that this finding may have reference to the payoff of the loan at the time of sale or transfer of property.

We agree that this finding should be clarified to refer to bad debts resulting from a transfer of a loan.

Reasonableness Review

SoCal requests an annual staff review of their Solar Program expenses with a Commission resolution approving the prudence of such expenditures. SoCal's concern is that the recovery of solar expenses not exceeding or falling below 10% as provided in D.84-06-090 has the potential that a reasonableness review covering three years of recorded expenses creates a greater risk than a review of such expenses annually.

We do not share SoCal's concern. The Solar Program is in the process of winding down. The requested annual review has the potential of becoming a mini rate case adding to the staff's workload. We believe the presently filed quarterly reports are sufficient to monitor the prudence of the program's expenditures. As we stated in D.84-06-090:

"However, if for some reason the utility's projected expenditures for the next year exceed or decline below the authorized amount by 10% we will allow it to file a separate application for a rate adjustment."

Findings of Fact

1. D.84-06-090 eliminated the annual Solar Program CCA filing but did not terminate the CCA balancing account.
2. The solar balancing account should continue until no more Solar Program expenses are incurred.
3. D.84-06-090 did not affect the current treatment of debt service as set forth in the Cost of Service Agreement and The Term Loan Agreement or other related financing documents approved by Commission Resolution G-2501 dated November 17, 1982.
4. Acceleration of the outstanding loan balance upon default will decrease expenses associated with foreclosure proceedings.
5. Finding 13 of D.84-06-090 should be clarified to refer to bad debts resulting from the transfer of a loan.
6. The requested annual review of Solar Program expenses by staff and Commission approval by resolution is not necessary. Presently filed quarterly reports are sufficient to monitor the prudence of program expense.

Conclusions of Law

1. SoCal should continue balancing account treatment of expenses incurred in its Solar Program.
2. Overcollection or undercollection of Solar Program expenses should be included as part of the general rate case revenue requirement.
3. The treatment of debt service under the Cost of Service Agreement and Term Loan Agreement between SoCal and its financing subsidiary is unaffected by this decision and D.84-06-090.
4. SoCal and its financing subsidiary should declare the outstanding unpaid loan balance on loans in default immediately due and payable.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company (SoCal) shall continue its Solar Conservation Cost Adjustment balancing account until the Demonstration Solar Financing Program is terminated.
2. SoCal and its solar financing affiliate shall declare the outstanding unpaid loan balance on solar loans in default immediately due and payable.
3. Finding 13 of D.84-06-090 is amended to read as follows:
"The issue of how to handle bad debts resulting from the transfer of a loan should be addressed in the decision dealing with SoCal's petition for modification in D.92251."
4. In all other respects D.84-06-090 is affirmed.

This order is effective today.

Dated NOV 21 1984, at San Francisco, California.

FRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Victor Calvo,
being necessarily absent, did
not participate

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


Joseph E. Bodovitz, Executive Director

Decision 84 11 117

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