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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 the Southern California Edison)
 Company (U-338-E) to review the)
 reasonableness of Edison's expendi-)
 tures for the residential)
 conservation financing program)
 reflected in the conservation load)
 management adjustment clause in 1985)
 and 1986.)

Application 87-03-012
(Filed March 7, 1987)

OPINION

This application is filed in compliance with Ordering Paragraph 6 of Decision (D.) 85-05-008 which ordered Southern California Edison Company (Edison) to file an application so that the Commission may evaluate the reasonableness of its 1985-1986 Residential Conservation Financing Program (RCFP) by March 1, 1987.

RCFP was initiated on March 1, 1983 in compliance with D.82-11-086 dated November 17, 1982. RCFP was designed to offer financial incentives to encourage residential customers to install energy conservation measures and to promote the replacement of old inefficient equipment with new energy efficient models.

During 1985/1986 four programs were offered as follows:

1. Loan and Cash Rebate Program.
2. Common Area Rebate Program.
3. Low-Income Program.
4. Energy Efficient Refrigerator Program.

A description of each program is set forth below.

Loan and Cash Rebate Program

Edison offered customers an option of 8% loans or cash rebates through its RCFP program to encourage the purchase and installation of conservation measures. In order for customers to be eligible for a loan or rebate on weatherization improvements,

they had to have in existence or have installed the Big Four weatherization measures: attic insulation, caulking, weatherstripping, and duct wrap. (Edison offers to its electric water heating customers water heater installation and low-flow showerheads free of charge which is part of its Wrap-up Program.) The Big Four measures do not require utility home energy surveys. However, in order to install other improvements, a utility home energy survey is required. Other improvements include such measures as wall and floor insulation, storm windows and doors, clock thermostats, central heat pumps, replacement central air conditioners, pre-coolers for air conditioners, evaporative coolers, and whole house fans.

In 1985, the loan and cash rebate program resulted in 24,417 weatherization measures installed (14,341 Big Four measures and 10,076 other measures) with a total annualized savings of 20,818,891 kilowatt-hours (kWh) and a demand reduction of 24,940 kilowatts (kW). The results were below Edison's 1985 goal of 34,309 measures (19,376 Big Four measures and 14,933 other measures), with a total expectation of 33,033,398 kWh annualized savings and a demand reduction of 39,018 kW. The 1985 budget for the Big Four weatherization incentives was \$2 million. Edison actually spent \$1,739,349. The budget for other measures in 1985 was \$5 million and Edison spent \$3,093,178, for a total of \$4,832,527 in 1985.

In 1986, the loan and cash rebate program resulted in 16,623 measures installed (6,682 Big Four measures and 9,941 other measures) with a total annualized savings of 25,351,506 kWh and a demand reduction of 21,358 kW. The goals for 1986 were 14,934 weatherization measures installed (1,481 Big Four measures and 13,453 other measures), and with an expectation of 27,073,191 kWh annualized savings and 20,837 kW demand reduction. The 1986 budget for the Big Four weatherization incentives was \$104,191, but Edison actually spent \$245,226, a deficit of \$141,035. The budget for

other measures was \$3,582,409 and Edison actually spent \$3,497,553, for a total of \$3,742,779.

Common Area Rebate (CAR) Program

Edison offered cash rebates for conservation improvements made to customers who reside in common areas of multifamily complexes. Edison's CAR program began in 1983 and was made available to owners of apartments, mobile home parks, and condominium associations who had electric heating and/or central electric air conditioning.

Though a number of incentives were offered to the CAR program participants, the most popular rebates were for lighting improvements. The lighting improvements were generally chosen because of a quicker payback than other conservation measures offered.

In 1985, the CAR program resulted in 1,527 measures installed with a total annualized savings of 11,670,317 kWh and a demand reduction of 230 kW. These results exceeded Edison's goals of 1,400 measures, and a demand reduction goal of 199 kW, but the total annualized savings of 16,903,600 kWh fell short of the goal.

Again, in 1986, the CAR program exceeded Edison's goals with 1,721 measures installed, an annualized savings of 19,101,611 kWh and 282 kW demand reduction. Edison had expected to install 1,400 measures at a savings of 16,903,600 kWh and 199 kW demand reduction.

The CAR program budget for 1985 of \$900,000 was underspent by \$319,260. Similarly, the 1986 program budget of \$900,000 was underspent by \$36,710.

Low-Income Program

Prior to 1985, Edison's low-income program for RCFP had been targeted to low-income customers with electric air conditioning and/or electric heating. However, this limited Edison's target group to 114,000 customers which represented only 4% of Edison's customer base. Edison estimated that its low-income

customers represented approximately 20.6% of all customers systemwide. Because the Commission was primarily concerned with more participation of the low-income customer group, in 1985 Edison increased its low-income program and expanded its eligibility criteria to include all low-income customers whether or not they have electric central air conditioning or electric heating. In addition, Edison included the elderly, permanently handicapped, and non-English speaking customers as part of this program.

The Commission was also concerned about the cost-effectiveness of Edison's RCFP low-income programs. In D.84-12-068, the Commission reiterated its guidelines that the utilities should maintain and initiate programs that may not meet all cost-effectiveness tests but are worthwhile when equity and externalities are considered. Several factors convinced staff that Edison's low-income program falls under this guideline and should be moderately expanded.

D.85-05-008 authorized Edison a total of \$37.9 million for its 1985 and 1986 RCFP. Of this total, \$8.1 million (or 21.4%) was allocated to conservation programs for Edison's low-income customers. By the early part of 1986 it became apparent that Edison's low-income program full budget would be exhausted, but that the total RCFP program budget would be underspent by \$5.2 million for the two-year period. At the request of staff, on April 11, 1986, Edison submitted a revised energy conservation program and budget for the purpose of shifting unspent funds from the overall RCFP authorized budget into the low-income budget. The Commission reviewed Edison's submitted plan and the recommendations for the program plan submitted by the California/Nevada Community Action Association, which represents a number of community agencies. The staff recommended that Edison file an advice letter seeking Commission approval of a revised budget for its low-income program.

Therefore, Edison submitted Advice Letter 730-E on June 12, 1986, increasing its 1985 and 1986 RCFP budget for low-income customers by \$3.3 million, to a total of \$11.4 million, 30.1% of the overall budget. The Commission approved the revised budget by Resolution E-3004 on August 6, 1986.

In 1985, 2,777 measures were installed for the low-income customers at an annualized savings of 6,312,159 kWh and a demand reduction of 783 kW, falling short of their goal of 5,550 units with an anticipated savings of 10,522,868 kWh and a demand reduction of 2,389 kW. However, in 1985, Edison was able to provide free of charge 175,228 appliances which resulted in a savings of 17,026,176 kWh and 1,164 kW demand reduction, thereby exceeding anticipated goals of 151,500 appliances with an expectation of 13,470,000 kWh savings and a demand reduction of 1,050 kW.

In 1986, 4,994 measures were installed for the low-income customers at an annualized savings of 8,698,146 kWh and a demand reduction of 2,951 kW. Their goal was 3,520 measures with an anticipated savings of 11,511,055 kWh and a demand reduction of 929 kW. The reason the actual kWh savings fell below the anticipated savings was due to the fact that more refrigerators were installed than anticipated which have less kWh savings than other types of measures. Also, in 1986, Edison was able to provide free of charge 163,165 appliances at an annualized savings of 16,083,830 kWh and a demand reduction of 1,153 kW. Their goal for 1986 was 196,420 appliances installed with an anticipated savings of 19,776,796 kWh and a demand reduction of 2,304 kW.

In 1985, Edison's low-income program budget totaled \$2,799,000. Edison actually spent \$2,989,015.

In 1986, Edison's low-income program revised budget was \$4,772,500. Edison actually spent \$5,067,033.

Energy Efficient Refrigerator Program

During 1984, funding for Edison's refrigerator program was part of the company's RCFP program. It was the original intent that the funds for the 1985 energy efficient refrigerator program be transferred to base rates in Edison's general rate case (Application (A.) 83-12-02). However, the Commission directed that it be deferred for evaluation in the company's Conservation Load Management Adjustment Clause (CLMAC) proceeding (D.84-12-068). Edison filed a late exhibit in this proceeding to include 1985 and 1986 refrigerator rebate program data in CLMAC funding.

Because refrigerators are the single highest energy user in the residential home, the California Energy Commission seeks to increase the efficiency standards for refrigerators offered for sale in California. Its regulations caused the refrigerator industry to make dramatic improvements in the efficiency of their products, and to encourage consumers to purchase the most efficient models available. Edison was directed to set qualifying levels for rebates offering increasing dollar rebates for refrigerators with increased efficiency levels. Staff believes that the rebate programs have helped to create a demand for refrigerators significantly exceeding the state energy efficiency standards, and that manufacturers are responding by producing refrigerators which meet the demand.

Edison first offered refrigerator rebates to all of its customers in 1983. The 1985 program was in operation for two months, July through August. In 1986, Edison implemented a more expanded program and extended it to three months, July through September, to further encourage the production and purchase of the high-efficiency units.

Along with the energy efficient refrigerator program, in 1985 and 1986, Edison offered \$25 cash to its customers as an incentive to donate to charity their older, less-efficient, operable units rather than keeping them as a second refrigerator.

A \$5 fee was paid to charities for picking up operating units, and an additional \$20 to destroy and dispose of nonmarketable units.

In 1985, over 28,000 rebates were issued to customers purchasing energy efficient refrigerators an an annualized savings of 9,288,976 kWh and a demand reduction of 2,899 kW. Customers donated over 3,700 old refrigerators to participating charities which resulted in an annualized savings of 1,517,820 kWh and 347 kW demand reduction.

In 1986, nearly 35,000 rebates were issued to customers purchasing energy efficient refrigerators at an annualized savings of 10,847,328 kWh and a demand reduction of 3,431 kW. Customers donated over 4,000 second refrigerators to participating charities which resulted in an annualized savings of 1,651,070 kWh and a demand reduction of 379 kW.

In 1985, the energy efficient refrigerator program budget was \$1,880,000 and Edison actually spent \$1,698,750, leaving a surplus of \$181,250. The second refrigerator program budget was \$294,000 and Edison actually spent \$158,135, leaving a surplus of \$135,865. Together, the surplus of funds amounted to \$317,115 for 1985.

In 1986, the energy efficient refrigerator program budget was \$2,248,750 and the actual expenditures were \$2,162,225, leaving a surplus of \$86,525. The second refrigerator program budget was \$294,000 and Edison actually spent \$164,590, leaving a surplus of \$129,410. Together, the surplus of funds amounted to \$215,935 for 1986.

Administrative costs

Edison budgeted administrative costs, in connection with these programs, of \$6,394,150 in 1985 and \$6,323,800 in 1986, a total of \$12,717,950 for the two-year period. Actual administrative cost expenditures totaled \$4,998,809 in 1985 and \$5,006,627 in 1986, a total of \$10,005,436 for the two-year period.

Additional costs, in connection with its subsidiary Conservation Financing Corporation which was dissolved in December 1985 pursuant to D.85-05-085, of \$248,000 and \$181,500 were budgeted in 1985 and 1986, respectively. Actual expenditures in this regard were \$148,000 in 1985 and (\$3,535) in 1986.

Total expenditures

Edison's budget for the two-year period totaled \$34,922,300. It spent \$32,461,346 resulting in unspent budgeted funds totaling \$2,460,954 over the two-year period.

A report entitled "A REVIEW OF THE REASONABLENESS OF SOUTHERN CALIFORNIA EDISON COMPANY'S 1985 AND 1986 EXPENDITURES FOR THE RESIDENTIAL CONSERVATION FINANCING PROGRAM REFLECTED IN THE CONSERVATION LOAD MANAGEMENT ADJUSTMENT CLAUSE" was prepared by Nola Barnett, Regulatory Analyst in the Commission's Advisory and Compliance Division, Energy Branch (branch). The report, which is received in evidence as Exhibit 1, discloses that the branch has reviewed the application and the RCFP programs in detail. The branch concludes that the expenditures incurred by Edison in its RCFP program for the years 1985 and 1986 are reasonable.

The Commission finds that the expenditures incurred by Edison during 1985 and 1986 in its RCFP program were reasonable.

The Commission concludes that A.87-03-012 should be closed.

ORDER

IT IS ORDERED that A.87-03-012 is closed.
This order becomes effective 30 days from today.
Dated DEC 9 - 1987, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

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


Victor Weisner, Executive Director

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