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Decision 92-12-001 December 3, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

1992 Application of Southern
 California Gas Company Under the
 Annual Reasonableness Review
 Procedure. }
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Application 92-06-015
(Filed June 15, 1992)

(See Appendix A for appearances.)

INTERIM OPINION

This decision approves the request of Southern California Gas Company (SoCalGas) to recover \$6.023 million in rates for its accomplishments in demand-side management (DSM) programs.

Background

In 1988, we initiated a renewed consideration of the energy efficiency or DSM programs of the State's energy utilities. The process initially involved meetings among utilities, representatives of several state agencies, and intervenor groups to discuss ways to stimulate energy efficiency programs. The group issued a report in January 1990 which recommended that the utilities file applications proposing expanded funding levels for DSM programs and shareholder incentives for reaching energy-efficiency goals.

In March 1990, SoCalGas filed Application 90-04-037 in response to the report, proposing expanded funding for DSM programs and an incentive mechanism. The application also revised and expanded many of SoCalGas' existing DSM programs authorized in SoCalGas' 1990 general rate case. The Commission adopted an expanded DSM program for SoCalGas in Decision (D.) 90-08-068, basing the new program on a settlement filed by several interested parties. D.90-08-068 requires, among other things, that gas

utilities' DSM-incentive earnings should be reviewed in their annual reasonableness reviews.

The pending application, which is SoCalGas' reasonableness review for 1991 - 1992, seeks a shareholder incentive award of approximately \$6.19 million for DSM efforts. SoCalGas requested expedited treatment of the award in order that the revenue-requirement increase could be reflected in rates by January 1, 1993. No party objected to this request. Accordingly, a brief hearing was held to consider the DSM issue in advance of other reasonableness review issues. DRA and SoCalGas submitted testimony which raised very little controversy. At the hearing, no party sought to cross-examine any witness and no party wished to file briefs.

SoCalGas' Application for
Recovery of DSM Earnings

SoCalGas' application seeks \$6.19 million for its 1991 DSM efforts. SoCalGas states that most of its DSM programs were very successful in 1991. Collectively, 1991 DSM programs achieved energy savings of 48.6 million therms, an amount well exceeding the goal of 30 million therms. The energy savings programs in SoCalGas' territory cost approximately \$59 million.

Most of the DSM energy savings, according to SoCalGas, are attributable to the replacement of older gas equipment with high-efficiency equipment and weatherization improvements. SoCalGas states that the conservation achievements of 1991 will probably not be repeated in 1992 due to increasing appliance efficiency standards and declining emission reduction retrofit activity.

SoCalGas states that all nonresidential programs were cost-effective. The residential weatherization incentive program was not cost-effective because residential customers consume small amounts of gas and because gas prices have been low.

DRA's Position

Generally, DRA supports SoCalGas' requested shareholder award. Its testimony reviews Commission decisions and the methodology used by SoCalGas for calculating the award.

In general, DRA believes that SoCalGas has appropriately calculated the incentive award but recommends minor adjustments to the calculation in four program areas:

1. Residential Equipment Replacement: A reduction in the amount upon which SoCalGas could earn a award to reflect amounts adopted by Resolution G-2992, in which the Commission permitted SoCalGas to shift funds from the 1990 budget to the 1991 budget;
2. Residential Weatherization: A reduction in the award to reflect a minor adjustment in the variable cost per job based on SoCalGas' workpapers;
3. Residential New Home: A minor increase to the award to reflect the Commission's rejection of an agreement between SoCalGas and DRA which would have lowered the amounts in question by 20%; and
4. Commercial New Construction: A minor reduction to the award to reflect an error in calculation.

Discussion

During the hearing held in this matter, SoCalGas stipulated to the minor changes recommended by DRA. We believe the recommendations made by DRA, and agreed to by SoCalGas, are reasonable. These changes do not appear to be the result of disagreements over methodology, but modifications to reflect prevailing circumstances. It appears the methodology for calculating SoCalGas' incentive award is settled, at least for the time being. We will adopt the dollar award recommended by SoCalGas and DRA for a total incentive award of \$6.023 million.

This proceeding remains open to consider the remaining issues in this reasonableness review.

Findings of Fact

1. D.90-08-068 adopted expanded DSM programs and a shareholder incentive mechanism for SoCalGas. It also directed review of incentive payments in reasonableness review proceedings.
2. No party opposed SoCalGas' request for an incentive award although DRA made minor modifications to SoCalGas' calculation.
3. SoCalGas stipulated to the modifications made by DRA to the calculation of SoCalGas' incentive award for the review period.

Conclusion of Law

The Commission should approve SoCalGas' request for a shareholder incentive award in the amount of \$6.023 million.

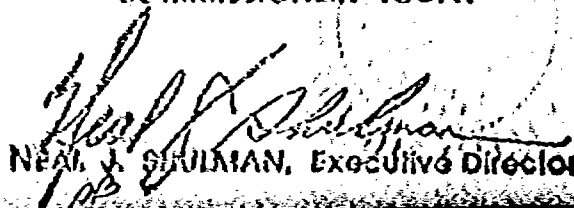
INTERIM ORDER

IT IS ORDERED that:

1. Southern California Gas Company (SoCalGas) is authorized to collect \$6.023 million for its accomplishments in its demand-side management programs. It may recover this amount by incorporating the revenue-requirement change into its attrition year rate change, scheduled to become effective January 1, 1993.
 2. This proceeding shall remain open to consider outstanding issues in SoCalGas' 1992 reasonableness review.
- This order is effective today.
Dated December 3, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SULMAN, Executive Director

APPENDIX A

List of Appearances

Applicant: E. R. Island, Jeffrey E. Jackson, Lisa G. Urick, and Thomas R. Brill, Attorneys at Law, for Southern California Gas Company.

Interested Parties: Jones, Day, Reavis & Pogue, by Norman Pedersen, Attorney at Law, for Southern California Utility Power Pool; Wright & Talisman, by Jerome Candelaria, Attorney at Law, and Steve Harris, for Enron Gas Marketing; Michel P. Florio and Peter V. Allen, Attorneys at Law, for Toward Utility Rate Normalization; Annette Gilliam, Attorney at Law, for Southern California Edison Company; Morse, Richard, Weisenmiller & Associates, Inc., by Robert B. Weisenmiller, for MRW & Associates; Andrew Brown, for Barakat & Chamberlin; Michael Hopkins, for City of Glendale; Wayne Le Pire, for El Paso Natural Gas Company; Leonon W. Murphy, for Imperial Irrigation District; Robert L. Pettinato, for Los Angeles Department of Water & Power; Paul M. Preno, for Edson & Modisette; Ronald V. Stassi, for City of Burbank; Alex Szabo, for City of Pasadena; N. Vandenberg, for Transwestern Pipeline Company;

Division of Ratepayer Advocates: Patrick Gileau, Attorney at Law, and R. Mark Pocta.

(END OF APPENDIX A)