

ORIGINAL

Decision 82 01 08 JAN 5 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's)	
own motion into the adequacy of)	
summer lifeline gas and electricity)	OII 77
allowances provided by investor-)	(Filed July 2, 1980;
owned utilities throughout the)	amended April 7, 1981)
State.)	

FOURTH INTERIM OPINION AND ORDER

Decision (D.) 92872, issued April 7, 1981, expanded OII 77 to include, among other things, statewide review of the method and manner by which lifeline air-conditioning allowances are allocated to the residential customers of the respondent utilities. During this phase of OII 77, the respondents were directed to provide recommendations and alternatives regarding the appropriate monthly level of lifeline allowances for air-conditioning use within their service territories.

Five days of public hearing were held in San Francisco, Walnut Creek, and Palm Desert. In addition to numerous public witnesses who expressed their views at the various hearings, the following parties appeared and participated actively in the proceeding: Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCal), CP National Corporation (CP National), the Coachella Valley Association of Governments (CVAG), the California Farm Bureau Federation (Farm Bureau), and the Commission staff.

One of the principal goals of expanding OII 77 to include all the investor-owned utilities in the state was

to establish uniform lifeline allowances among utilities. It soon became apparent that to accomplish this ambitious goal would require significant time and the preparation of complex and comprehensive analyses by the respondents, staff, and interested parties.

Rather than delay all action in OII 77 until such studies were completed and presented in evidence, the Commission decided to act, on an interim basis, to provide some relief during the summer cooling season of 1981 to certain customers of PG&E and Edison whose authorized lifeline air-conditioning allowances were either nonexistent or clearly insufficient. Based upon preliminary review of climatic information and comparison of "cooling degree" data, D. 93317, dated July 22, 1981, modified the lifeline air-conditioning allowances provided by PG&E and Edison.

PG&E was directed to establish a new climatic Territory "C" with a 100 kilowatt hours per month (kWh/mo.) lifeline allowance for electric air-conditioning equipment and 20 therms per month (therms/mo.) for gas air-conditioners. This new territory now includes parts of Alameda and Contra Costa Counties and certain coast range valley areas where neither a summer space-heating nor an air-conditioning lifeline allowance was previously available.

The decision also ordered Edison to provide its customers residing in Death Valley and the Palm Springs and Blythe customer districts with an air-conditioning allowance of 650 kWh/mo.

While the climatic studies necessary to establish uniform lifeline allowances among the utilities are still unavailable, we are now prepared to act upon certain recommendations regarding methods for determining the appropriate levels of lifeline air-conditioning allowances which should be provided by the respondent utilities.

Discussion

The avowed purpose of beginning the current phase of OII 77 is to establish uniform lifeline air-conditioning allowances among the respondent utilities. However, in response to the limited availability of credible climatic data, most parties who participated in this round of hearings concluded that the present air-conditioning allowances are adequate and should not be changed at this time.

In recognition of the problems posed by the lack of certain critical climatic data, the staff presented a proposal designed to establish consistent lifeline allowances among gas and electric utilities. In addition, the staff responded to a proposal by PG&E whereby customers participating in PG&E's residential peak load reduction (RPLR) program in certain air-conditioning territories would receive additional air-conditioning lifeline allowances in lieu of the load management monetary incentives currently offered.

The staff's proposal for standardizing lifeline air-conditioning territories and allowances statewide contains four recommendations. To overcome difficulties encountered in obtaining consistent data and developing a uniform set of criteria for air-conditioning allowances throughout California, staff recommends the formation of a technical committee, consisting of staff members, utility representatives, and interested parties, to accomplish the following major tasks:

1. Choose a simulation model to be used by all utilities in calculating air-conditioning energy requirements;
2. Specify the types of climatic data to be used in calculating air-conditioning energy requirements.
3. Specify the characteristics of the typical dwelling(s) for which energy requirements are to be calculated; and

4. Specify the environmental criteria to be used in defining the boundaries of air-conditioning territories on a consistent statewide basis.

It is the staff's hope that the committee would begin deliberations with the goal of providing its recommendations to the Commission in sufficient time for new lifeline air-conditioning allowances to be established before the beginning of the next air-conditioning season on May 1, 1982.

As its second recommendation, staff proposes that lifeline allowances be adjusted on the basis of usage to differentiate between multi-unit and single-unit detached dwellings. Staff contends that its preliminary data indicate that customers occupying detached dwellings consume 50% more energy on the average than customers occupying apartments. Currently, lifeline allowances are established according to the minimum basic energy requirements of the average customer. However, staff argues that apartments are typically occupied by fewer persons and are smaller than single-unit detached units. Accordingly, the lifeline allowances which ultimately result from the technical committee's computer simulation studies should be split on a ratio of two-to-three with the larger allowance provided to individually metered dwelling units in a single-unit structure and the smaller allowance provided to individually metered dwelling units in a multi-unit structure.

As the third element of its proposal, staff recommends that a thermostat setting of 80 degrees Fahrenheit be used in calculating the lifeline air-conditioning allowances. Currently, the lifeline allowance is based on an interior temperature of 85 degrees. Staff feels that 80 degrees affords the minimum level of comfort and still allows for some conservation. Use of 80 degrees as the level for calculating lifeline air-conditioning allowances would automatically increase the levels of air-conditioning allowances beginning May 1, 1982.

The staff's fourth recommendation would require gas and electric utilities to collect climatic data at possible "hot spots" to allow air-conditioning allowance territories to be geographically defined by temperature levels. The staff proposes that climatic data be collected and analyzed by the utilities to determine what temperatures exist and whether shifts occur over time in temperature patterns within their service territories. Currently, there is a paucity of climatic data in California. Therefore, staff recommends the installation of temperature recording equipment at possible "hot spots" or areas characterized by extremely hot temperatures. The utilities should be required to provide annual reports to the Commission on their activities in gathering and analyzing cooling-degree day data at these locations. In conjunction with the staff the utilities should begin the process of identifying "hot spots" and, as soon as practicable, determining where recording devices should be installed.

Finally, staff supports PG&E's proposal to use an additional kWh allowance as an incentive for RPLR. PG&E's RPLR installations have been approved by the Commission up to a level of approximately 47,000 air-conditioning residential customers by the end of 1981. It is unlikely that PG&E will reach 47,000 customers with its RPLR program by December 31, 1981. In an effort to stimulate participation in the load management program to reach the level of 47,000 residential customers, the staff supports PG&E's proposal to give additional kWh air-conditioning allowances at Tier I rates to certain residential customers if they participate in certain air-conditioning experiments conducted as part of PG&E's RPLR program. These allowances would replace the current monetary incentives offered by PG&E to participants in the RPLR program.

Edison, SDG&E, SoCal, and the Farm Bureau all concur with the staff proposal to establish a technical committee charged with the responsibility of recommending standardized air-conditioning territories and allowances on a statewide basis. With respect to the staff recommendations regarding the reallocation of lifeline allowances between single-family detached dwellings and apartments, the appropriate temperature upon which to base air-conditioning allowances, and the identification of "hot spots," the above-mentioned parties are in unanimous agreement that determination of such issues is premature and should be deferred to the technical committee for its analysis and recommendation.

In contrast to all the other parties who concluded that there is insufficient information upon which to base changes in the current allocation of lifeline air-conditioning allowances, CVAG contends that ample evidence exists to support adoption of its proposal. CVAG contends that the unique climatic conditions and energy needs of the Low Desert Area (Coachella Valley) warrant the following Commission action:

1. Establishment of the Low Desert Area, with its extreme climatic conditions, as a separate zone; and
2. Establishment of a lifeline allowance of 1,500 kW from May through October to provide minimum air-conditioning needs in the Low Desert Area.

In support of its request, CVAG presented climatic data and energy usage information demonstrating the unique circumstances of the Low Desert Area. Low Desert Area summer energy requirements have been conservatively stated as 2,000 kWh/mo., with 1,760 kWh required exclusively for cooling needs. Since Low Desert Area residents are required to consume almost three times the

monthly allotment of 650 kWh to supply minimum cooling needs, approximately two-thirds of their air-conditioning usage is billed at the Tier II and Tier III penalty rates.

Furthermore, CVAG argues that Low Desert Area residents consume greater quantities of energy at the nonlifeline penalty rates than other Edison customers and consequently contribute a greater share of domestic revenues to Edison. CVAG maintains that air-conditioning is not a luxury but an essential need for the Low Desert Area's many elderly and low-income residents. Given the extremely hot weather conditions common to the Low Desert Area and given the area's correspondingly high energy consumption rate, CVAG contends that its request for special consideration does not involve subsidization by Edison's other residential customers but merely results in equalization of rate penalties.

We acknowledge the excellent presentation of CVAG in support of its petition. We are not unmindful of the harsh reality that air-conditioning is a critical necessity for many residents of the Low Desert Area. We are also aware that many such residents have already undertaken the most extreme measures to limit their energy consumption to the bare minimum and simply cannot reduce their bills through further conservation. However, we are also very conscious that the primary goal of this phase of OII 77 is to establish a uniform system of allocating lifeline allowances on a statewide basis. If we were to grant the petition of CVAG, we would merely carve out another exception and move further from our goal of standardized lifeline allowances.

The staff's recommendation that the Commission form a technical committee to assist us in establishing consistent lifeline allowances statewide among the respondent utilities appears to be a reasonable and useful suggestion. However, we desire the

participation of affected parties who may not have access to their own technical expertise, so we prefer to call the committee an advisory committee. The initial purpose of the advisory committee will be to assist us and the staff in developing consistent statewide lifeline allowances for energy used for cooling. Despite the problems with adequate climatic data, we hope that staff, the committee and other parties can recommend to us major steps we can take prior to the 1982 cooling season, which starts May 1, 1982, to make the cooling lifeline allowances more consistent, accurate and fair on a statewide basis.

The parties involved in this proceeding should keep in mind the legislative mandate for the lifeline program, contained in Section 739(a) of the Public Utilities Code, which states:

The Commission shall designate a lifeline volume of gas and a lifeline quantity of electricity which is necessary to supply the minimum energy needs of the average residential user for the following end uses: space heating and cooling, water heating, lighting, cooking and food refrigerating. In estimating such volumes and quantities, the Commission shall take into account differentials in energy needs between utility customers whose residential energy needs are supplied by electricity and gas. The Commission shall also take into account differentials in energy needs caused by geographic differences, by differences in severity of climate, and by season. (emphasis added)

Staff, the committee and the parties in this proceeding should assist us in determining on a consistent statewide basis the minimum energy needs of the average residential user for cooling and in determining consistent differentials in such energy use caused by geographic, climatic and seasonal factors. We recognize that data inadequacies make this task difficult. But we wish to make whatever improvements are feasible for the upcoming cooling season. Therefore we direct the Executive Director to form the advisory

committee as soon as possible and to produce a staff report on these issues in February 1982 for consideration by the committee as its first task. This report and the committee's initial deliberations should consider the base temperature for determining minimum energy needs for cooling, the identification of climatic regions and "hot spots", and steps for making lifeline cooling allowances consistent statewide.

We recognize that making cooling lifeline allowances consistent may result in increases or decreases to current summer cooling lifeline allowances. Changing lifeline allowances can have major impacts on utility revenues and on the rates of residential customers paying for nonlifeline quantities of electricity and gas. We will reserve evaluation of these impacts and of proposals for reallocating lifeline allowances between single-unit and multi-unit dwellings for a further phase of these proceedings. We ask staff and the advisory committee to develop a long-run program of data collection and analyses to assure statewide consistency, accuracy and fairness in the lifeline allowances and, in developing such a program, to consider issues raised in this proceeding such as the optimal method for evaluating cooling degree data.

We will deny CVAG's petition without prejudice and direct the Executive Director to assure CVAG participation on the advisory committee to assure that the Low Desert Area is considered in analyses of cooling energy needs.

Finally, we will authorize PG&E's proposal to use an additional kWh allowance as an incentive for RPIR. The additional allowances at Tier I rates will replace the current monetary incentives offered by PG&E to participants in the RPIR program.

Findings of Fact

1. The purpose of this phase of OII 77 is to establish consistent statewide lifeline allowances for energy used for cooling.
2. Currently there is insufficient climatic information available to enable the Commission to establish consistent lifeline cooling allowances and territories.
3. An advisory committee, coordinated by staff and consisting of utility representatives and interested parties, would be well equipped to gather and analyze available climatic and energy-use data, to consider staff reports, and to make recommendations on consistent lifeline cooling allowances and regions.

Conclusions of Law

1. Consistent lifeline cooling allowances and regions should be established on a statewide basis.
2. To assist the Commission in establishing consistent allowances and regions, an advisory committee coordinated by staff and consisting of gas and electric utility representatives and interested parties should be formed by the Executive Director to make appropriate recommendations for implementation effective May 1, 1982 and for further consideration in OII 77.
3. The staff and advisory committee should address and make recommendations on at least the following issues:
 - (1) The types of climatic data to be used in calculating minimum air-conditioning energy needs.
 - (2) The characteristics of the average residential user of energy for cooling.
 - (3) The criteria to be used in defining territories for air-conditioning that take into account climatic, geographical and seasonal differentials.
 - (4) The base temperature to be used in determining minimum energy needs for cooling.

(5) A program to develop and make available the geographic, climatic, and energy-use data needed for statewide consistency in lifeline cooling allowances.

(6) Specific lifeline allowances for cooling.

4. The petition of CVAG is premature and should be dismissed without prejudice.

5. PG&E's proposal to use an additional kWh allowance as an incentive for RPLR should be authorized.

IT IS ORDERED that:

1. The Executive Director shall form an advisory committee coordinated by staff and consisting of electric and gas utility representatives and other interested parties to consider and conduct analyses and make recommendations on establishing consistent statewide lifeline allowances and territories for energy used for cooling. As a part of this proceeding, the staff shall prepare a report by mid-February recommending statewide lifeline cooling allowances for the committee's consideration.

2. The petition of the Coachella Valley Association of Governments is dismissed without prejudice.

3. Pacific Gas and Electric Company is authorized to offer an additional kWh allowance, as proposed, as an incentive to residential customers to encourage residential peak load reduction.

This order becomes effective 30 days from today.

Dated JAN 5 1982, at San Francisco, California.

JOHN E. BRYSON

President

RICHARD D. GRAVELLE

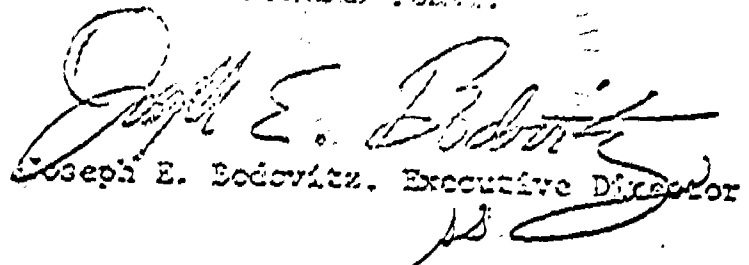
VICTOR CALVO

PRISCILLA C. CREW

Commissioners

Commissioner Leonard M. Grimes, Jr.,
being lawfully absent, did not
participate.

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


Joseph E. Bodovitz, Executive Director