

MAY - 4 1982

ORIGINAL

Decision S2 05 010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SAN DIEGO GAS & ELECTRIC COMPANY)
 for Authority to Increase its Gas)
 and Electric Rates Pursuant to its)
 CALPAC and CPAC Tariffs to Recover)
 1982 Solar Rebate Program Costs.)

Application 61046
 (Filed November 6, 1981)

O P I N I O NIntroduction

By Application (A.) 61046, San Diego Gas & Electric Company (SDG&E) requests an increase in its gas and electric rates to cover the additional cost of its solar rebate program in 1982. In Decision (D.) 92664, we authorized a \$1.6 million rate increase to cover the estimated first-year expenses of SDG&E's three-year solar demonstration program. SDG&E estimates its 1982 program expenditures to be about \$4 million and filed A.61046 to request an additional \$2.349 million.

The increase in program expenses is due primarily to two factors. First, the amount of rebates paid in 1982 is forecast at about \$2.4 million as compared to the 1981 recorded figure of \$.852 million. (SDG&E estimates that it will pay rebates to 10,000 customers by the end of 1982 as compared to 6,000 customers in December 1981.) Second, the 1982 program allocates \$640,000 for a low-income program that will provide solar water heating systems to 180 low-income families. SDG&E did not expend any money on a low-income program in 1981. The increased rebates plus the subsidies to low-income families amount to more than \$3 million of the total 1982 program cost of \$4 million.

1982 Program Activities

SDG&E's solar rebate program is largely unchanged. However, the company in 1982 will initiate a low-income program as well as a monitoring and evaluation program. A brief review of these two activities is appropriate.

Low Income

In prior decisions, we have expressed our desire that the benefits of the solar demonstration program should reach all customers, regardless of their income level. Low-income customers generally lack the financial resources required to purchase a solar water heating system. Consequently, low-income customers do not participate in the solar rebate program to the extent that middle- and upper-income customers are able to, although low-income customers support the program, along with other customers, in their utility bill payments.

To ensure that low-income households have the same opportunity to benefit from the rebate program, each utility has been ordered to set aside 10% of program funds for a low-income component. We have asked all utilities conducting a solar rebate program to formulate low-income assistance programs, guided by the recommendations of the OII 42 Solar Advisory Committee (Committee). The Committee has made the following recommendations:

1. Low-income components should focus on multi-unit public housing and cooperative housing sites, at which long-term maintenance service can be provided.
2. The utilities should identify eligible low-income households by contacting community groups or state and local agencies.

SDG&E now proposes the following low-income program:

1. Establish technical and sizing criteria which emphasize the low-maintenance potential of a solar water heating system.
2. Create a selection committee composed of Department of Housing & Urban Development, city, and county housing authorities,

community nonprofit organization members,
and SDG&E representatives.

3. Distribute systems under the following
priority:

- a. San Diego public multifamily housing
occupied on or before January 29,
1980.
- b. New San Diego County public multi-
family housing.
- c. Low-income public multifamily housing
owned by nonprofit organizations.
- d. Low-income city-owned and maintained
single-family homes.
- e. Privately owned single-family houses
on the Department of Energy weatheriza-
tion funding list.

SDG&E's proposal focuses on multiunit public housing per
the Committee's guideline. This emphasis concentrates the low-income
program in multiunit dwellings where solar systems should achieve
some efficiencies of scale. In addition, the resulting energy
savings will be realized by public programs.

The Energy Conservation Branch has reviewed SDG&E's proposal
and endorses its approach. We adopt the proposal with two changes.
The SDG&E proposal allocates \$640,000 to provide solar water heaters
to 180 low income residences. This is an average cost of \$3,555.
While this would not be unreasonable for single family installations,
the high priority low income installations will be multi-family. The
average cost per residence of solar water heaters in multi-family
installations has been less than \$1,500. We see no reason why the low
income program should exceed this average cost. We expect SDG&E to
assure that many more than 180 residences are served by this \$640,000
allocation so that the average cost per residence in the low income
program does not differ markedly from the average cost in other multi-
family installations.

While we have no disagreement with the priorities suggested for the low income program, we believe it unlikely that there will be sufficient revenues available to reach the last priority, privately owned single-family houses. We shall require SDG&E to seek additional authorization from the Commission before expanding the program to reach this market segment. ✓

Monitoring and Evaluation

The Commission recently selected a contractor, BBW, Inc. (BBW), to research the technical and economic feasibility of the solar demonstration program in California. BBW has entered into an agreement with Southern California Gas Company (SoCal Gas) to monitor and evaluate solar installations in the service areas of SoCal Gas, Southern California Edison Company, Pacific Gas and Electric Company, and SDG&E. The four utilities will pay proportionate shares of the contractor's charges, limited to a maximum of \$750,000, through SoCal Gas. The Commission staff is authorized in the agreement to act as the work supervisor.

Approximately 228 homes will be monitored by BBW in SDG&E's service area. The cost of monitoring equipment, including installation, is estimated at \$1,000 per unit. SDG&E's proportionate share of the contract with BBW is set at \$60,000 of the total \$750,000. Thus, total monitoring expenses for SDG&E are [228 units x \$1,000/unit] + \$60,000 = \$288,000. SDG&E has included the entire expense of \$288,000 in its 1982 program budget.^{1/}

Work on the monitoring program is scheduled to commence on March 1, 1982. The current work plan calls for work to be completed in two phases. Phase I, consisting largely of start-up activities, should be completed on or about July 31, 1982.

Adjustment to Rates

SDG&E uses a Conservation & Load Management Programs Adjustment Clause (CALPAC) to track solar rebate program expenditures allocated to its Electric Department and a Conservation Programs Adjustment Clause (CPAC) to account for expenses allocated to its Gas Department. In D.92664, we authorized a CALPAC rate of .007¢/kWh and a CPAC rate of .002¢/therm. SDG&E now requests in A.61046 that its CALPAC rate be increased to .017¢/kWh and its CPAC rate to .5¢/therm. Approval of these rates should produce the following gross revenues on an annual basis to SDG&E: ✓

Electric Dept.	\$1,664,800
Gas Dept.	<u>2,397,500</u>
Total	4,062,300

SDG&E proposes to spread the revenue increases to all sales on a uniform basis, consistent with the rate design adopted in D.92664.

^{1/} Although the 1981 program budget included funding for monitoring activities, no monitoring took place in 1981 and SDG&E did not expend any of the funds budgeted for monitoring.

Staff auditors have reviewed SDG&E's CALPAC and CPAC accounts and take no exception to the expenditures charged to those accounts. As of December 31, 1981, a net overcollection of \$127,861 was entered in the CALPAC and CPAC accounts.

The Energy Conservation Branch (Branch) also has reviewed A.61046 and has no objection to the granting of the rate increase requested. Furthermore, no individual or party has filed a protest or requested a hearing on A.61046 under Article 2.5 of our Rules of Practice and Procedure. Accordingly, a public hearing is not necessary, and A.61046 is processed on an ex parte basis.

Lastly, it has been brought to our attention by SDG&E and the Branch that approximately 3,350 single-family gas customers have applied for the solar rebate program, exceeding SDG&E's established single-family quota of 2,500 residences by 850 customers. SDG&E claims it was unable to notify these customers that the single-family gas quota was fully subscribed before the customers applied for the program.

SDG&E, supported by the Branch, suggests that the single-family gas quota should be increased to include the additional 850 applicants. SDG&E proposes that the multifamily quota should be reduced so that rebate funds may be transferred to the single-family gas program. Approximately \$816,000 in rebate funds would be transferred from the multifamily program to the single-family program under this proposal. SDG&E's goal of 19,000 multifamily units would be reduced to 16,167.

Otherwise, SDG&E asserts that the rejection of the surplus applicants could reflect badly on the entire solar rebate program. The company also notes that the multifamily program is progressing at a slower pace and would not be greatly affected by a reallocation of funds. The Branch agrees that the multifamily

program will remain at an adequate level of more than 16,000 units if the single-family gas program is expanded by 850 customers.

We approve SDG&E's request to expand its single-family gas program to include an additional 850 customers and at the same time to reduce its multifamily goal from 19,000 to 16,167 units. However, we encourage SDG&E to strive for increased penetration into the electric customer and the multifamily customer markets. Increased promotional efforts or perhaps innovative incentives may be necessary to stimulate these customer groups. We expect SDG&E to work closely with the solar industry and the Branch in formulating new marketing methods that the company finds to be necessary and appropriate.

Findings of Fact

1. Solar demonstration program expenses incurred by SDG&E in 1981 and charged to its CALPAC and CPAC accounts were reasonable expenditures properly included in those accounts.
2. Solar demonstration program expenses in 1982 will exceed the 1981 recorded expenses because of additional solar rebate payments and a low-income assistance program.
3. Multifamily program will remain at an adequate level of more than 16,000 units even if the single-family gas program is expanded by 850 customers.
4. SDG&E's proposed program for low-income family conforms to the Commission's and the Committee's guidelines.
5. A rate increase of \$2.349 million is necessary to cover SDG&E's anticipated 1982 solar demonstration program expenses.
6. Since SDG&E's 1982 program is already underway, this order should be effective on the date of signature.

Conclusions of Law

1. The increase in rates and charges authorized by this decision is just and reasonable; the present rates and charges, insofar as they differ from those ordered in this decision, are for the future unjust and unreasonable.

2. Solar demonstration program expenses incurred in 1982 shall be subject to review for reasonableness at the next revision date of January 1, 1983. SDG&E shall file an application showing 1982 expenses and anticipated 1983 program expenses by December 1, 1982.

3. SDG&E should be authorized to change its CALPAC and CPAC rates as set forth in the following order.

4. SDG&E's three-year goals for its solar rebate program of 2,500 single-family homes with gas water heater and 19,000 multifamily gas and electric water heater are revised to 3,350 and 16,167, respectively.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, San Diego Gas & Electric Company is authorized to file with this Commission in conformance with the provisions of General Order 96-A, revised tariff schedules reflecting the following changes:

- a. A CALPAC rate of .017¢/kWh.
- b. A CPAC rate of .5¢/therm.

2. The rate increases granted shall be spread to all sales on a uniform basis consistent with the rate design adopted in D.92664.

3. The revised tariff schedules shall be effective not less than 5 days after filing.

This order is effective today.

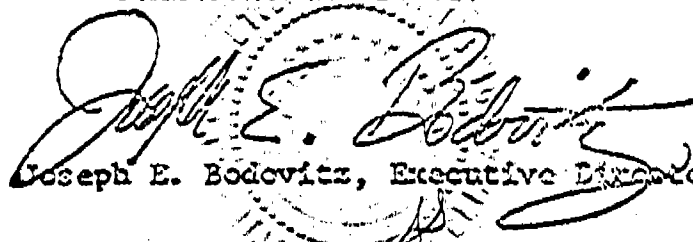
Dated May 4, 1982, at San Francisco, California.

I concur except as to the ratepayer funding of 850 single-family gas home solar installations. The utility should bear responsibility for at least part of the costs incurred in rebates for these installations above the Commission's prescribed maximum. This is particularly important because solar installations in single-family gas-heated homes are the least cost-effective element of the demonstration program.

/s/ JOHN E. BRYSON
Commissioner

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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


Joseph E. Bodovitz, Executive Director

community nonprofit organization members,
and SDG&E representatives.

3. Distribute systems under the following
priority:

- a. San Diego public multifamily housing
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1980.
- b. New San Diego County public multi-
family housing.
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O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, San Diego Gas & Electric Company is authorized to file with this Commission in conformance with the provisions of General Order 96-A, revised tariff schedules reflecting the following changes:

- a. A CALPAC rate of .017¢/kWh.
- b. A CPAC rate of .005¢/therm.

2. The rate increases granted shall be spread to all sales on a uniform basis consistent with the rate design adopted in D.92664.

3. The revised tariff schedules shall be effective not less than 5 days after filing.

This order is effective today.

Dated MAY 4 1982, at San Francisco, California.

~~I will file a written dissent.~~

John E. Bryson
Commissioner

John E. Bryson
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners