

Decision 82 07 037 JUL 21 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Southern California Gas Company for)
Authority by an Ex Parte order to)
increase the Conservation Cost)
Adjustment (CCA) component in its)
effective rates in order to)
continue its demonstration Solar)
Financing Program.)

Application 82-01-27
(Filed January 14, 1982)

O P I N I O N

Summary

This decision adopts a Conservation Cost Component rate of .195¢/therm which is equivalent to a revenue increase of \$7,011,000. The increase is authorized to offset the anticipated second-year expenses of Southern California Gas Company's (SoCal) demonstration solar financing program.

We approve all of the proposed second-year program activities except for a requested increase in the advertising and marketing budget. We find that increased advertising or marketing by the utility is undesirable since the solar industry should bear the responsibility for most promotional efforts.

Relief Requested

By Application (A.) 82-01-27, SoCal requests a rate increase to cover the increased second-year costs of its demonstration solar financing program. SoCal estimates that an additional \$7,765,000 in revenue will be needed in 1982.

SoCal estimates that 1982 program expenses will increase or decrease as follows:

	1981	Program Costs (\$000)	
		1982	Increase
Loan capital costs	\$ 340	\$ 5,171	\$4,831
Utility credits (single)	274	2,280	2,006
Grants	900	1,643	743
Utility credits (multiple)	505	290	(215)
Accounting, inspection, and monitoring	2,126	1,578	(548)
Advertising and marketing	1,000	1,973	973
Total	5,145	12,935	7,790

After adjustment for the 1981 balancing account and the franchise fees and uncollectibles factor, the \$7,790,000 increase shown above becomes \$7,765,000. This increase is equivalent to a rate of .207¢/therm.

1982 Program Activities

SoCal's demonstration program will focus on multifamily units in 1982. The single-family allocation of 19,000 was fully subscribed in 1981. As a result, loan and credit applications from single-family customers no longer are accepted by SoCal since the program goals have been met.

Penetration into the multifamily market has been comparatively poor. As of November 1981 only 56 systems, serving 785 dwelling units, had been installed. SoCal plans to upgrade its multifamily market plan and hopes to assist the solar industry in installing 5,400 multifamily dwelling units in 1982. The three-year goal of the demonstration program is 145,500 multifamily dwelling units.

To bolster its multifamily marketing program, SoCal intends to initiate a direct mail program to reach apartment owners and managers. The cost of this mailing program is estimated as \$367,750. About 190,000 managers and owners of multifamily buildings would be contacted with a series of three mailings.

In addition, SoCal plans to hire eight more market service representatives at a cost of \$468,100. These representatives would make direct contact with the solar industry contractors and customers. Advertising, news releases, exhibits, group presentations, and solar literature would be provided by these representatives along with SoCal's existing solar personnel.

Low-Income Program

On April 28, 1982, SoCal submitted to our Executive Director a proposal for low-income program based upon the recommendations of the OII 42 Solar Advisory Committee (Committee).

The proposed low-income program is budgeted at 10% of the combined 1981 and 1982 demonstration program costs. In addition, the program's focus is upon multifamily dwelling units as recommended by the Committee. We agree that the low-income program should be limited to the multifamily public housing sector and will adopt SoCal's proposal.

Monitoring and Evaluation

SoCal, along with other utilities conducting the solar demonstration program, has engaged BBW, Inc. to evaluate many aspects of the solar demonstration program in California. SoCal's share of the contractor's expenses is \$1,070,000, including monitoring hardware. Although funds were budgeted for this purpose in 1981, no monitoring or evaluation activities took place, and SoCal used the fund for other underbudgeted program costs.

Staff Analysis

The Energy Conservation Branch (ECB) and staff auditors have reviewed this application. The auditors take no exception to any of SoCal's recorded expenses or to the gross revenues charged to the CCA balancing account in 1981. The auditors' report is attached to Exhibit 1 in the formal file.

The ECB takes one exception to SoCal's proposed program for 1982. As mentioned before, SoCal plans to step up its marketing and advertising activities to attract more multifamily solar installations. The authorized marketing and advertising budget for 1981 was \$1,000,000. SoCal has requested \$1,973,000 for its 1982 marketing and advertising activities. About one-half of the \$973,000 increase over 1981 is caused by SoCal's plan to add eight more market service representatives at a cost of \$468,100.

The ECB asserts that the requested doubling of the marketing and advertising budget is contrary to past Commission decisions which emphasize that the solar industry rather than the utilities should undertake most of the marketing needed to attract participants in the program. We agree and will adopt the ECB's recommended budget of \$1,173,000 for marketing and advertising expenses in 1982. The additional eight marketing representatives proposed by SoCal seem unnecessary to us. SoCal should let the solar industry bear most of the responsibility for persuading customers or owners and managers of multifamily buildings to install solar systems. SoCal's role should be limited to support of the solar industry's efforts.

Accordingly, we will reduce SoCal's proposed 1982 budget by \$800,000 and will adopt a revenue increase of \$7,011,000. This increase equates to a total CCA surcharge of .195¢/therm.

Findings of Fact

1. Solar demonstration program expenses incurred by SoCal in 1981 were reasonable expenditures.
2. Solar demonstration program expenses in 1982 will exceed the authorized 1981 expenses because of additional loans, credits, and a low income program.
3. SoCal's low-income program proposed by letter dated April 28, 1982 conforms with the Advisory Committee's guidelines and should be approved.
4. The proposed increase in advertising and marketing expense is excessive; SoCal should limit this 1982 expense to \$1,173,000 as recommended by the ECB.
5. With a reduced advertising and marketing budget, a revenue increase of \$7.011 million is reasonable and appropriate.
6. Since SoCal's 1982 program is underway, this order should be effective on the date of signature.
7. The Tehachapi-Cummings County Water District (Tehachapi) has sent a letter dated January 21, 1982 which expresses opposition to A.82-01-27.

8. Aside from not being properly submitted for docketing, Tehachapi's letter does not meet the requirements of Article 2.5 in our Rules of Practice and Procedure for a formal protest since it does not contain an offer of the evidence which Tehachapi would sponsor or elicit at a public hearing.

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. SoCal shall file an application showing 1982 expenses and anticipated 1983 program expenses by December 1, 1982.

3. SoCal should be authorized to change its Conservation Cost Component rate as set forth in the following order.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, the Southern California Gas Company is authorized to file with this Commission, in conformance with the provisions of General Order 96-A, revised tariff schedules showing a Conservation Cost Component rate of .195¢/therm.

2. The rate increase granted shall be spread to all sales on a uniform ¢ per therm basis consistent with the rate design adopted in D.92854.

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

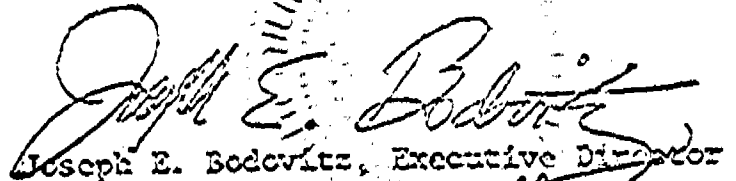
This order is effective today.

Dated JUL 21 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. CRAVELLE
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

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

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


Joseph E. Bodovitz, Executive Director

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