

Decision 82 09 062 SEP 22 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 to Implement)
a Residential Conservation Service)
(RCS) Program and to Increase)
Rates to Recover the First Year's)
Cost of the Program, and to)
Include the RCS Program Costs in)
the Conservation Cost Adjustment)
Procedure.)

Application 60446
(Filed April 14, 1981)

In the Matter of the Application)
of SOUTHERN CALIFORNIA GAS)
COMPANY for Authority to Implement)
a Zero Interest Weatherization)
Financing and Credits Program and)
to Increase Rates to Recover the)
First Year's Cost of the Program,)
and to Include the Weatherization)
Program Costs in the Conservation)
Cost Adjustment Procedure.)

Application 60447
(Filed April 14, 1981)

(See Decision 82-02-135 for appearances.)

Additional Appearances

David J. Gilmore, Attorney at Law, for
Southern California Gas Company, applicant.
Edward Dart, for Dart Air System;
James M. Carr, for Southern California
Weatherization Contractors Association; and
Edwin Shanks, for Modern Energy
Insulation Company; interested parties.
Carl Oshiro, Attorney at Law, for the
Commission staff.

SECOND INTERIM OPINION

Background

On February 17, 1982, this Commission issued Decision (D.) 82-02-135 in the above-entitled applications. The decision authorized applicant Southern California Gas Company (SoCal) to implement a Residential Conservation Service (RCS) program and a low-interest Weatherization Financing and Credits Program (WFCP). As part of its implementation of these programs, SoCal was specifically directed, among other things, to undertake the following:

- "2. SoCal shall use its best efforts to promote WFCP and RCS and achieve satisfactory levels of participation in both programs for its low-income, elderly, non-English speaking, and renter customers. Within 30 days of the effective date of this order, SoCal shall file a report consistent with this decision detailing and explaining its entire plan for promoting low-income participation in WFCP and RCS. This filing shall be served on all appearances in these proceedings." (D.82-02-135, Ordering Paragraph 2.)

This order was intended to reflect Commission policy that the weatherization programs of public utilities subject to our regulation be designed to reach all economic classes of residential customers. Our review of SoCal's original plan for low-income participation in RCS and WFCP had led us to conclude that the plan was too "vague as to what special efforts or outreach would be undertaken and the extent to which CAAs [Community Action Agencies] and CBOs [Community Based Organizations] would be involved in the process other than as inspectors." (D.82-02-135 at p. 101.) We also questioned whether a subsequent proposal made by SoCal during oral argument would be "a workable or sufficient solution to maximizing low-income participation." (Id.)

For these reasons, we concluded that SoCal should further detail its total plan for low-income participation in RCS and WFCP. The plan we sought was to include "a statement of the level of federal weatherization funding approved for 1982; the actual credit amounts which will be available to CAAs and CBOs for each measure now deemed eligible for WFCP financing; the circumstances under which and the groups to whom credit funding will be available; and SoCal's specific guidelines for achieving low-income outreach, including its plans, if any, to contract with community organizations for outreach." (D.82-02-135, at pp. 101-102.)

Although identifying these elements of the plan, we refrained from designating any specific agency with whom SoCal should contract or requiring the allocation of specific ratepayer dollars to fund such contracts pending development of a more thorough record.

SoCal's Low-Income Plan

On March 25, 1982, SoCal submitted a document entitled "Low-Income Participation Plan - WFCP." SoCal states that the objective of this plan is to achieve parity participation by low and fixed income consumers in the weatherization of their homes. SoCal intends to reach this goal by:

1. Paying of cash credits to CAAs and CBOs who have approved weatherization programs and have installed weatherization measures in low-income structures;
2. Contracting with community agencies not involved in home weatherization to conduct program inspections within their defined boundaries;

3. Providing training and technical assistance to all agencies providing low-income weatherization assistance and offering do-it-yourself (DIY) instruction to low-income consumer groups on installation of WFCP conservation measures;
4. Providing low-cost 8% loans for all weatherization measures to any eligible low-income single-family owner upon request, but not in addition to credits paid to agencies for providing weatherization;
5. Processing a low-income DIY participant's application for "Big 6" and building envelope cash credits upon the applicant furnishing SoCal a voucher or bill identifying the purchase and actual price of the items, and directly paying the participating retailer up to the actual price of materials or the maximum credit allowed; and
6. Providing a mobile energy conservation van in the community to conduct training sessions at various locations.

With respect to the payment of cash credits to CAAs and CBOs, SoCal's plan provides:

"It is estimated that the average cost to completely weatherize a single family home by the CAA's/CBO's will be \$454.54. SoCal Gas will make cash credit payments up to \$456 per single family structure and \$258 per multi-family structure available to the agencies in lieu of customer direct payments. An additional maximum of \$200.00 per unit will be supplied for building envelope repairs. \$4,550,000 (excluding building envelope repair costs) representing 28% of SoCal Gas' 1982 authorized WFCP credit funds, will be devoted to this effort.

¹ The phrase "Big 6" refers to the six conservation measures which may be financed by SoCal either with or without an energy audit. (D.82-02-135, at pp. 77, 117.)

"Payments are based on the installation of 'Big 6' conservation measures (measures which do not require an RCS audit) in single family and multi-family structures. All building envelope repair costs and cash credit payments will be paid to agencies only after providing documentation of installation of approved conservation measures and following an inspection by SoCal Gas."

SoCal's program is designed to provide agencies a cash credit payment based on units actually weatherized. For example, water heater blanket cash credit payments would be made for each blanket installed. The maximum \$200 per unit payment for building envelope repairs will be made only when such repairs can be documented; otherwise the maximum payment will be based solely on production.²

SoCal's plans include the following itemization of projected payments.

<u>Item</u>	<u>PROJECTED PAYMENTS</u>	
	<u>Single Family</u>	<u>Multifamily</u>
Attic Insulation (600 sq. ft. min.)	\$302/Home	\$136/Unit
Air Duct Wrap	106	85
Water Flow Control Devices	21	21
Water Heater Blanket	8	6
Caulking/Weatherstripping (All Outside Doors)	<u>19</u>	<u>10</u>
	\$456	\$258
Building Envelope Repairs (Maximum)	<u>\$200</u>	<u>\$200</u>
Maximum Payment	\$656	\$458

² We understand that the word "production" as used here means building envelope repairs that are actually found done during the post-installation inspection by the utility.

SoCal's plan does not specifically detail proposed outreach efforts or incentives to low-income participation in RCS and WFCP other than the credit payments discussed above. SoCal does note, however, that its WFCP low-income plan was developed with input from a task force comprised of representatives from community agencies in Riverside, Los Angeles, Santa Barbara, San Bernardino, Imperial, Orange, Kings, and Tulare Counties who have participated in existing Department of Energy (DOE) weatherization programs and have extensive outreach experience. According to SoCal its objective of reaching low-income customers will be supplemented by California's Low-Income Home Energy Assistance Program, the possible amendment of the State RCS plan to include "special needs" audits for low-income customers, and the availability of federally funded state programs. In particular, SoCal lists the following allocation of federal funds by the California State Office of Economic Opportunity to counties in SoCal's service area for 1982 weatherization activities.

1982 FEDERAL WEATHERIZATION FUNDS

<u>County</u>	<u>Total Funding</u>
Los Angeles	\$2,037,016
Kern	138,047
Imperial	95,000
Orange	221,653
Riverside	176,920
San Bernardino	252,627
San Luis Obispo	79,418
Santa Barbara	89,132
Ventura	95,531
Tulare	119,377
Kings	70,000
	<u>\$3,374,721</u>

Attached to SoCal's plan are its suggested criteria for selection of agencies that may participate in the WFCP low-income program. These criteria include an examination by SoCal of (1) an

agency's past performance (a "demonstrated ability to successfully operate a weatherization program"), (2) its fiscal responsibility, and (3) its general and vehicle liability insurance coverage. Further, SoCal will require an applicant agency to develop and submit a low-income weatherization plan for its review. This plan must include a description of the agency's proposed territory boundaries, client selection system, vehicles and equipment, purchasing and inventory control procedures, personnel, budget, developmental plan, and board approval. An applicant agency must be a nonprofit corporation and must sign contractual agreements with SoCal to meet program requirements.

Comments by California/Nevada
Community Action Association (Cal/Neva)

On June 2, 1982, Cal/Neva filed its comments on SoCal's low-income participation plan. Cal/Neva was one of two community organizations active in the hearings on SoCal's RCS and WFCP programs, but the only party to respond to SoCal's March 25 filing.

At the outset of its comments, Cal/Neva acknowledges that much of the plan was "the result of the cooperative efforts of SoCal and Cal/Neva members in SoCal's service territory." Cal/Neva believes, however, that certain modifications of that plan are required.

1. Cost Per Unit

It is Cal/Neva's position that the maximum allowable credit of \$456 per unit was based on estimated annual agency operating costs of \$454 for installing attic insulation, water flow control devices, water heater blankets, and caulking and weatherstripping. The agencies' cost estimate, however, did not include air duct wrap for which SoCal has proposed allocating \$106 of the total \$456 available per unit. Cal/Neva argues that air duct wrap was not included by the agencies in their estimate because low-income dwellings rarely have air ducts. Under the circumstances proposed by SoCal, an agency would only receive \$350 to weatherize a low-income dwelling without air ducts, a sum inadequate to cover costs. Cal/Neva therefore

recommends that the \$456 credit be allowed for installation of the five weatherization measures on which its cost estimate was based.

2. Inspections and Timing of Payments to Agencies

To ensure a "timely cash flow for the agencies and...satisfactory completion of work", Cal/Neva recommends:

"[P]ayments be made to participating agencies on the same basis that SoCal makes payments to its other contractors, that is, payments should be made to contractors within, at maximum, 30 days after SoCal's receipt of proper invoices, regardless of the time of inspection. If, in the course of inspection of the contractor's work, any units do not pass inspection, contractors should be notified to bring these units up to standard on a timely basis or jeopardize future payments for work performed and future participation in the program.

"[I]nspections of work performed by the contracting agencies in the Low-Income Participation Plan be treated in the same manner as other contractors in the WFCP, that is, 'If an installing contractor's record of quality installations warrants, this inspection schedule may be reduced [from 100%] to 10% inspection....'"

3. Advance Payment

Cal/Neva estimates that in order to participate in SoCal's plan, an agency will be required to expend \$32,000 in the first month to cover its operating costs, salaries, rentals, and equipment leasing. Cal/Neva therefore recommends that SoCal make an advance payment to participating agencies like that provided by San Diego Gas & Electric Company (SDG&E). According to Cal/Neva, SDG&E's plan permits an advance of \$30,000 to each contracting agency with repayment realized by a deduction of \$41.67 from the amount due for each of the first 720 units completed. Cal/Neva suggests that "as a sign of the agency's commitment and investment in the success of the program," that each participating agency provide at least \$5,000 of the \$32,000 start-up advance.

4. Program Operation

Cal/Neva's final two recommendations involve "cost review" of the program and independence from federal funding. On the first point, Cal/Neva claims that actual experience may indicate the necessity for changes or modifications in specific program costs. Under these circumstances, Cal/Neva suggests that a cost review agreement similar to the one used by SDG&E be required. According to Cal/Neva this agreement reads:

"Both contractor and SDG&E reserve the right to review actual costs for work performed. SDG&E and contractor agree to negotiate reasonable adjustments in the Unit Prices based on the findings of these reviews of actual costs."

Second, Cal/Neva acknowledges that SoCal's program should "work in coordination with existing federal programs." However, because of uncertainty of federal funding and potential duplication of services, Cal/Neva asserts that SoCal's program should "in no way...depend upon federal programs for its operation and funding."

SoCal's Response

On July 19, 1982, SoCal responded to Cal/Neva's comments. It is SoCal's position that the total cash credit of \$456 should include air duct wrap along with the other five conservation measures included in the "Big 6". SoCal states:

"SoCalGas has no information upon which it can make a determination as to how many low-income residences in its serving territory are equipped with air ducts. In designing its Low-Income Participation Plan, it was and remains SoCalGas' intent to pay directly to the agency the cash credit total that otherwise would have been given to the customer for the weatherization of a low-income residence. D.82-02-135 established a cash credit total of \$456, including \$106 for air duct wrap, as the weatherization package for a low income residence."

SoCal also points out that \$200 per dwelling for building envelope repairs is also available to participating agencies.

Although SoCal does not object to providing "a reasonable advance payment" to fund an agency's start-up costs, it suggests that the need for such funding should be assessed by SoCal on an agency-by-agency basis. With respect to the amount of the advance payment and criteria for receiving it, SoCal further states:

"However, SoCalGas understands that most, if not all, of the participating agencies have a credit line sufficient that the agency would not be required to fund the full amount of start-up costs. Accordingly, SoCalGas is willing to provide up to \$16,000 as an advance payment which represents one-half of the estimated amount for start-up costs. SoCalGas would, moreover, require that certain conditions be met before providing such a payment.

"First, an agency must meet the qualifications set forth...in SoCalGas' low-income plan.... Such screening will help ensure that advance payments are used as they are intended. Second, SoCalGas recommends that the utility be allowed to recover the advance payment as the agency starts receiving revenue from SoCalGas for job completion. SoCalGas recommends that, for the first 250 low-income residences weatherized by the agency, the utility be allowed to reduce its payment to that agency by \$64.00 per unit, to satisfy repayment of the \$16,000 (250 x \$64.00). This will both allow recovery by the utility of its seed money and provide the agency with more than sufficient revenue to start up and to meet its ongoing operational costs."

SoCal also responds to Cal/Neva's proposals regarding the timing of payments and cost review procedures. With respect to the former, SoCal has structured its invoicing and clerical procedures to achieve "a thirty-day cash turn around" in its payments to

participating agencies following receipt of the proper invoices. On the subject of a cost review procedure to take into account actual experience, SoCal states:

"SoCalGas has no objection to such a procedure if approached on an agency-by-agency basis. Such a review should, of course, allow for a reduction in the unit price if actual prices are determined to be lower than estimated. For example, if Cal/Neva's assertion that rural agencies experience greater transportation costs turns out to be correct, it could also be determined that urban agencies have lower transportation costs than estimated in arriving at the unit price. Or, for example, rural agencies may experience lower labor and administrative costs than estimated in arriving at the unit price. Clearly, in such cases, a reduction in the unit price would be appropriate."

Discussion

1. RCS

SoCal's March 25 filing is basically a statement of its plan for promoting low-income participation in WFCP. As we noted previously, however, D.82-02-135 contemplated a response by SoCal detailing and explaining its entire low-income plan for both WFCP and RCS. (D.82-02-135, at p. 122.) We therefore remind SoCal that it is still under an obligation to use its best efforts to promote and achieve satisfactory low-income participation in RCS as well as WFCP. We believe that for RCS this task has been more clearly defined by our modification of page 102 of D.82-02-135. That language, modified in D.82-05-043, issued May 4, 1982, now reads:

"We believe that it is likewise appropriate for SoCal to enter into contracts with outside groups, whether they be government agencies, community groups or private firms, to provide RCS audits. Such contracts are desirable under the circumstances permitted by the CEC's Cal Plan or as otherwise approved by the CEC, but only where they result in no greater expenditure than SoCal would have incurred to achieve the same

estimated conservation through its own RCS and WFCP efforts. Thus SoCal should take an active role in seeking out and utilizing local government and community resources. Circumstances under which these resources should be used include:

- "a. Where local governments and community groups have direct access to a portion of the population (linguistic, cultural, community) not easily reached by the utility.
- "b. Where local governments and community groups can provide services at a level of training and expertise comparable with utility capability.

"Moreover, we expect SoCal to be prudent in its expenditures on such activities."
(D.82-05-043, at p. 4.)

2. WFCP

- a. Chapter XIV of the California Plan for RCS (Cal Plan)

We now turn to a review of SoCal's low-income plan for WFCP. In doing so, however, we must first take into account a recent amendment of the Cal Plan. Specifically, this amendment relates to that provision of the National Energy Conservation Policy Act (NECPA) which prohibits public utilities from supplying or installing energy conservation measures for any residential customer. (42 U.S.C. § 8217(a).) A DOE letter has interpreted this prohibition as applying to free installations, including low-income programs. NECPA, however, also provides exemptions to this prohibition. One such exemption is the "contracting exemption" which permits utilities to supply or install conservation measures through contracts with independent contractors.

Until recently, it had been the opinion of the California Energy Commission (CEC), the lead agency with respect to the Cal Plan, that the contracting exemption was self-executing. However, on June 25, 1982, DOE published its interpretation of the provision. The new regulations (10 C.F.R. § 456.504(c)) provide that before a utility can undertake a supply or installation program permitted by the contracting exemption, a state's RCS plan must contain procedures to ensure that such a program is undertaken in full compliance with DOE requirements.

On August 11, 1982, the CEC adopted Chapter XIV of the Cal Plan which restates the DOE requirements for ensuring compliance with DOE regulations and NECPA. The exemption and the application of the chapter are framed as follows:

- "1. The prohibition contained in 42 U.S.C., § 8217(a) shall not apply to energy conservation and renewable resource measures which are supplied and installed by covered utilities through contracts with independent suppliers or contractors, providing the supply and installation is conducted at the customer's request and in compliance with the provisions of 42 U.S.C. § 8217(c), 10 C.F.R. 456.504, this chapter, and all other applicable laws. Application of this chapter shall be limited to those measures which are installed either at no direct charge to the customer or pursuant to PUC Decision 82-02-135. This chapter shall not be construed as authorizing any utility programs in violation of Public Utilities Code section 2775.5 or other provisions of California law." (Chapter XIV.A.1.; emphasis added.)

As this provision makes clear, the exemption from the NECPA prohibition, as well as the requirements of Chapter XIV, applies to those measures installed under D.82-02-135, our decision authorizing SoCal's implementation of its WFCP. Programs covered by this chapter, therefore, would include SoCal's plan of making credits available to qualifying community agencies for low-income weatherization.

While it is clear that SoCal's WFCP low-income plan is included in Chapter XIV, to qualify for the contracting exemptions SoCal's plan must, of course, meet the conditions and procedural requirements which are also enumerated in that chapter. Those requirements can be summarized as follows:

1. All suppliers and contractors engaged in SoCal's low-income program must be on the RCS Master List of suppliers or contractors.
2. Each selected supplier or contractor shall not be subject to utility control except as to the performance of the contract.
3. Selection of a supplier or contractor may not involve unfair methods of competition, result in an unfair advantage being given to any particular contractor, or limit the availability of financing to any particular contractor or customer. Activities of the utility related to this selection process must also ensure that the cost of energy conservation measures to customers be minimized and require, upon request, that a current estimate be given of the average price of supply and installation of energy conservation measures subject to the contracts covered by Chapter XIV.

4. The ratemaking authority shall review all utility contracting programs conducted under its authorization or direction and may approve the implementation of covered programs following "at least one public hearing". The ratemaking authority may also attach conditions necessary to ensure that the programs will be carried out in full compliance with Chapter XIV.
5. Annually each utility shall submit to its ratemaking authority and the CEC a report describing its activities under Chapter XIV and specifying the steps taken to achieve compliance with its provisions. This report shall be due on December 1, 1982, and each December 1 thereafter.

As the ratemaking authority directing the implementation of SoCal's WFCP, we believe that upon issuance of this decision the procedural requirements of Chapter XIV will be fulfilled. SoCal's low-income plan has been the subject of public hearings, including oral argument before this Commission en banc. The subject has been reviewed in D.82-02-135 and further evaluation has been permitted by SoCal's March 25 filing, the comments of Cal/Neva, and SoCal's response to those comments.

We note, however, that several of the conditions for the exemption listed in Chapter XIV are not yet part of SoCal's plan. By this order, we will direct SoCal to conform its plan to each of the additional requirements, including the condition that all selected contractors and suppliers be on the RCS Master List. Based on current practices and the policies implied in Chapters IV and XIV of the Cal Plan, it appears that governmental entities and community organizations which provide low income weatherization services qualify for inclusion in the RCS master list.^{1/} We are also of the opinion that SoCal's proposal, as discussed further, will be fair to all participating customers and contractors.

^{1/} On August 31, 1982, we issued D.82-08-109, an Order Modifying D. 82-02-135 and D. 82-05-043. The modification allows conservation measures installed under SoCal's WFCP financing and credits programs to be installed by any contractor licensed in good standing with the State of California, rather than limiting such installation to those on the RCS master list.

b. Program Specifics

We read Cal/Neva's comments on SoCal's plan for low-income participation in WFCP as basically supporting that plan. The modifications sought by Cal/Neva do not suggest shortcomings in SoCal's approach, but rather relate to concerns regarding the cash available to and cash flow of participating community agencies.

Cal/Neva's comments provide us with useful insights of SoCal's plan. Of primary concern is Cal/Neva's suggested modification of the maximum available credit of \$456 per unit. As stated by SoCal, this figure, while similar to the agencies' cost estimate for weatherization, is based on the credit amount total which this Commission approved in D.82-02-135 for installation of the "Big 6" conservation measures. However, the conclusions of D.82-02-135 relate to credits that will be granted to a customer for installation of particular measures. We neither intimated nor concluded in that decision that the \$456 could be expected to cover the complete cost of installation of the "Big 6" measures. Customers receiving the credits can be expected to pay more for these measures in many cases. The \$456 was found to provide an incentive comparable to that of low interest loans. ✓

In this decision, we must concern ourselves with the full cost that will be incurred by community agencies and other groups in delivering weatherization measures to low income households. We recognize that agencies and contractors will only agree to provide direct weatherization services if they can be compensated for substantially all their costs. The low income customer, by definition, cannot be expected to have adequate funds to make up any difference. While D.82-02-135 dealt with the proper credit to customers who opt for a cash credit in lieu of low interest financing, this decision must deal with the actual cost of installation of the weatherization measures. ✓

In the SDG&E service area, payments are being made to

community agencies providing weatherization measures which include agency overhead. In summary, these payments are 31¢/ sq. ft. of insulation plus \$113 for each completed job. There is little in our record to suggest that the cost of weatherization in the SoCal service area is significantly lower as suggested by the SoCal approach. We intend to monitor costs of installation and necessary overheads in the low income weatherization program. If adjustments in the payment levels are shown to be appropriate, we will not hesitate to make them.

In its WFCP application, SoCal proposed a schedule of credit payments. For the measures under discussion today, SoCal proposed the following credit payments.

<u>Measures</u>	<u>Average Value of Utility Credits</u>
	<u>Single</u>
Attic Insulation	\$355
Air Duct Insulation	125
Water Flow Control Device	25
Water Heater Blanket	9
Caulking/Weatherstripping	22
	<hr/>
Total	\$536

In D.82-02-135, the Commission accepted analysis by our staff showing that the proposed levels of credit were cost-effective but adopted lower credit levels to reduce the cost of incentive payments under WFCP and to make the credit incentive comparable to the loan incentive.

Today, we will authorize SoCal to pay to installers of direct weatherization packages up to the \$536 determined in D.82-02-135 to be cost-effective. The increment above \$456 is fully justified as a means to allow public agencies, contractors or community organizations

to better cover their costs. There can be no program without installations. We note that any eligible entity, whether contractor, government agency, or community agency will receive these amounts for each low income job completed.

If Cal/Neva's estimates are correct, \$536 may not cover all installation costs for all houses. However, experience to date in San Diego encourages us that actual costs will actually be lower. We will address this question in the first annual review of WFCP.

On the subject of cash advancements to qualifying agencies, Cal/Neva refers to actions taken by SDG&E under its low-income weatherization program. Such a decision, however, may not necessarily apply to SoCal. To begin with, there appears to be a much higher degree of weatherization activity in SoCal's service area than in SDG&E's. Further, such advancements by SoCal would not involve just two agencies (or a total of \$60,000), as was the case in SDG&E's program, but given SoCal's larger service area and number of customers, could include many more agencies with a cash outlay by SoCal far in excess of \$60,000. Finally, we are concerned, as we stated in D.82-02-135, with the need to approach cautiously any earmarking of ratepayer funds to finance community organizations over which we have no regulatory authority.

We do not, however, view Cal/Neva's suggestion as being without merit. Our specific concern relates to the size, not necessarily the fact, of providing start-up funds. It is probable that SoCal's plan will have a better chance of success if a greater number of community agencies are able to participate in WFCP. We believe, however, that SoCal's proposal for cash advancements, not Cal/Neva's, is the most reasonable means of achieving that end. With matching funds (\$16,000) being required of each agency, appropriate screening by SoCal of agency-applicants, and repayment as proposed by SoCal, such an approach will "allow recovery by the utility of its seed money and provide the agency with more than sufficient revenue to start up and to meet its ongoing operational costs." (SoCal's Response, at p. 3.) ✓

We next address Cal/Neva's concerns regarding program operation and administration. In keeping with our intent to provide SoCal with the necessary flexibility to manage its program, we believe that the specific approach to be taken on these issues should be determined by SoCal. In this regard, it appears that SoCal does in fact intend to time its payments in accordance with Cal/Neva's desires and that it is willing to consider a "cost review" procedure. As in the case of cash advancements, SDG&E's decision to include "cost review" language in its contract with community agencies was one made by the utility, not ordered by this Commission.

On the subject of the required level of inspection, we remind Cal/Neva that a reduction to 10% inspection depending on contractor performance was not adopted in D.82-02-135. At page 25 of D.82-02-135, we in fact stated that 100% inspection will be required and only as "a contractor develops a demonstrated record for error-free installation...may [SoCal] reduce inspection toward a

limit of no less than 20% of jobs performed." Such a standard can be uniformly applied to all contractors, including those participating in SoCal's low-income program.

Finally, Cal/Neva warns that SoCal's program should not depend on federal funding. We find that SoCal's reliance on federal funding is minimal and does not affect the credit amounts which will be available to participating agencies. We believe that such reference to, coordination with, and recognition of available federal funding and programs is appropriate.

Findings of Fact

1. Special efforts are necessary to gain the participation of low-income customers in SoCal's RCS and WFCP programs.

2. It is appropriate for SoCal to enter into contracts with outside groups, including government agencies, community groups, and private firms, to provide RCS audits, but only if such contracts result in no greater expenditure than SoCal would have incurred to achieve the same estimated conservation through its own RCS and WFCP efforts.

3. SoCal should take an active role in seeking out and using local government and community resources (a) when local governments and community groups have direct access to a portion of the population (linguistic, cultural, community) not easily reached by the utility and (b) when local governments and community groups can provide services at a level of training and expertise comparable with SoCal's.

4. SoCal's plan to encourage low-income participation in WFCP, submitted on March 25, 1982, will provide utility credits to community agencies for weatherization in low-income residences.

5. SoCal's WFCP low-income plan must meet the requirements of Chapter XIV of the Cal Plan in order to qualify for the "contracting exemption" from NECPA's prohibition against public utilities supplying or installing energy conservation measures for residential customers.

6. In compliance with the procedural requirements of Chapter XIV of the Cal Plan, "one public hearing" has been held on the subject of SoCal's plan to provide credits to community agencies for weatherization.

7. A maximum available credit of \$536 per unit for the installation of all "Big 6" weatherization measures is reasonable and consistent with D.82-02-135.

8. It is estimated that a community agency participating in SoCal's WFCP low-income plan will be required to expend \$32,000 in the first month to cover its operating costs, salaries, rentals, and equipment leasing.

9. It is reasonable for SoCal to provide up to \$16,000 cash advancements to cover a qualifying agency's first month start-up costs under the following conditions:

- a. SoCal is allowed to assess the need for such funding on an agency-by-agency basis;
- b. Matching funds (\$16,000) are required for each qualifying agency;
- c. The agency meets SoCal's criteria for participating in the WFCP low-income plan; and
- d. SoCal is allowed to recover the advance payment as the agency starts receiving revenue from SoCal for job completion.

10. With respect to repayment of any cash advancement in the amount of \$16,000, it is reasonable for SoCal to reduce its payment for the first 250 low-income residences weatherized by the agency by \$64 per unit.

11. It is necessary for SoCal to retain flexibility in the management of its WFCP low-income program.

12. Questions of the proper timing of payments to qualifying agencies and a contract provision for a "cost review" procedure are best resolved by SoCal in its implementation of WFCP consistent with the goal of increasing low-income participation in that program.

13. A 100% inspection level of all installations made by agencies qualifying under SoCal's WFCP low-income plan is a reasonable initial requirement to assure reliable energy savings. A reduction of that inspection rate to no less than 20% of jobs performed should be allowed only for those contractors who develop proven records of proficiency.

14. It is reasonable for SoCal's WFCP low-income plan to recognize, refer to, and operate in coordination with available federal weatherization funding and programs.

15. As modified by these findings, SoCal's WFCP low-income plan is reasonable.

Conclusions of Law

1. SoCal should encourage the participation of low-income customers in its WFCP and RCS programs.

2. SoCal's WFCP low-income plan should conform to the provisions of Chapter XIV of the Cal Plan.

3. SoCal should be authorized to implement its WFCP low-income plan, as modified in keeping with Chapter XIV of the Cal Plan and this decision.

4. This order should become effective immediately to allow SoCal to extend the benefits of WFCP and RCS to all of its customers as quickly as possible.

SECOND INTERIM ORDER

IT IS ORDERED that:

1. Southern California Gas Company (SoCal) shall use its best efforts to promote WFCP and RCS and achieve satisfactory levels of participation in both programs for its low-income customers in the manner prescribed by this decision and D.82-02-135.

2. SoCal shall implement its low-income plan for WFCP, as proposed on March 25, 1982, with the following modifications:

a. SoCal shall conform its plan to the provisions of Chapter XIV of the Cal

Plan, including, but not limited to, the requirement that all participating agencies be RCS listed contractors or suppliers.

- b. SoCal shall provide cash advancements to qualifying agencies subject to the conditions listed in Findings of Fact 9 and 10 of this decision.
- c. SoCal shall inspect all installations made by qualifying agencies under the WFCP low-income plan with a reduction of inspections to no less than 20% of jobs performed only for those contractors who develop proven records of proficiency.

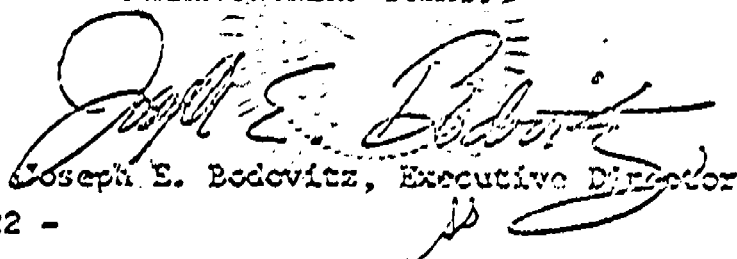
3. SoCal shall provide all written affirmations and assurances to the California Energy Commission required by Chapter XIV of the Cal Plan and shall submit to this Commission and the California Energy Commission an annual report describing its activities under Chapter XIV and specifying the steps taken to achieve compliance with the provisions of Chapter XIV.A. This report shall be due on December 1, 1982 and each December 1 thereafter.

This order is effective today.

Dated SEP 22 1982, at San Francisco, California.

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

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


Joseph E. Bodovitz, Executive Director