

# ORIGINAL

EXHIBIT 3

Application 82-09-19  
(Filed September 15, 1982)

2009-2010 2009-2010  
2009-2010 2009-2010

**SoCal**

Additional Revenue Requirements  
Less Revenue at Present Rates  
Total Revenue Requirement  
Expense @ 1.6687%  
Franchise Fee & Miscellaneous

[illegible]

-1-

The derivation of the additional \$25,656,000 revenue requirement was attached to the application as Exhibit B and is as follows:

<u>Weatherization Financing and Credits Program</u>		
<u>Estimated Year 1983</u>		
<u>Revenue Requirement</u>		
<u>(Dollars in Thousands)</u>		
<u>Item</u>	<u>Expense</u>	<u>Line No.</u>
<u>Incentives</u>		
<u>Loans:</u>		
Interest Differential	\$ 2,917	1
Bad Debt	3,475	2
Arrears on Principal	338	3
Return on Equity	1,937	4
Income Taxes	2,031	5
Credits- Single Family	11,143	6
Multifamily	4,037	7
Low-Income Structural Repairs	2,400	8
Subtotal	28,278	9
<u>Other Costs</u>		
Advertising	716	10
Marketing and Communications	7,833	11
Account Administration & Inspections	11,850	12
Low-Income Program Administration	1,887	13
Subtotal	22,286	14
Total Costs	50,564	15
Balancing Account- 12/31/82	4,432	16
Subtotal	54,996	17
Franchise Fees & Uncollectible Expense @ 1.668%*	917	18
Total Revenue Requirement	55,913	19
Less Revenue at Present Rates	(30,257)	20
Additional Revenue Requirement	25,656	21

CCA RatesPer Therm

Incremental Increase:  
 M\$25,656 ÷ 5,465,266 MTherms  
 Present Rate  
 Proposed Rate

0.469  
 0.553  
 1.022

\*1983 Test Year Requested F&U.

In addition to requesting ex parte relief ~~for the full~~ amount requested, SoCal asks that: (a) the tariff sheets reflecting the changes requested be filed and made effective as of January 1, 1983; (b) the order provide that SoCal may use outside consumer credit reporting agencies to verify the credit worthiness of multifamily dwelling owners seeking low interest loans in excess of \$5,000; (c) the order authorize SoCal to implement late charges when timely loan repayments are not received; (d) the order provide for SoCal to use loan repayments for new loans once the \$150 million capital limit set forth in D.82-02-135 is reached; and (e) the order authorize the same return on equity for computing revenue requirement for the WFCP as is authorized for SoCal in its current rate proceeding for the test year 1983.

The Commission staff's Energy Conservation Branch (ECB) prepared a report summarizing SoCal's 1982 WFCP and proposed 1983 WFCP, together with its recommendations regarding SoCal's proposed modifications for WFCP. This report, which we will accept as Exhibit 1 in this proceeding, was circulated to all parties of record in SoCal's application for authority to implement the WFCP, A.60447, for comments. Comments were received from Edward Duncan and the Insulation Contractors Association (ICA). By letter dated November 12, 1982 SoCal informed the Commission that it has reviewed the staff report and stipulates to the adoption of the program changes recommended by the staff and to the additional reporting requirements recommended therein.

Requested Revenue

As previously detailed, SoCal is requesting a total revenue of \$55,913,000, an increase of \$25,656,000 over present rates for the continued funding of the WFCP. ECB believes that the requested rate increase to provide the funds necessary to carry out the program is just and reasonable, and recommends that SoCal be authorized to collect the requested total amount of \$55,913,000 for the 1983 expenses by the imposition of the appropriate CCA increment. ECB further recommends that the tariff sheets proposed by SoCal reflecting these rates be adopted by this Commission to be made effective January 1, 1983. In his comments on this matter, Edward Duncan recommends that the requested amount be adjusted one-half percent to reflect additional loan fees and interest differential afforded to Pacific Lighting Corporation by its subsidiary, SoCal. Such a position is totally unsupported by the record in either this proceeding or the SoCal general rate proceeding and will not be adopted. We will, however, adopt ECB's recommendation and grant the full amount requested by SoCal.

Outside Consumer Credit Agency

SoCal requests authorization to use outside credit reporting agencies to verify the credit worthiness of multi-family dwelling owners seeking low interest loans in excess of \$5,000. ECB believes SoCal's proposal is reasonable and should be adopted. Such a procedure would replace the current credit requirements that the applicant be a customer of SoCal for 12 months, have no "turnoffs" of his gas service for the preceding 10 months, and not be in arrears with respect to his existing conservation loan. SoCal's proposed change would only affect

owners of multifamily dwellings and would not generally serve to reduce the level of participation in the program by all the segments of the ratepayers. Because of the size of the loan amounts that could potentially be involved, we are persuaded that SoCal's proposal is reasonable and it will be adopted as follows:

Late Charges

SoCal asks that it may implement late charges whenever all timely loan payments are not received. Such a procedure would serve as an additional incentive to ensure timely payment and to thereby reduce the level of money in arrears. The proposed charge, if implemented, would be \$5 or 5% of the installment, whichever is less, in accordance with the provisions of the Unruh Act. Such a proposal appears reasonable and will be adopted.

\$150 Million Capital Limit

D.82-02-135 placed a ceiling of \$150 million on the total capital (debt and equity) to be provided over the 5-year duration of the WFCP. SoCal proposes to fund loans from repayments if the \$150 million capital limit is reached.

SoCal's projection indicates that the limit is unlikely to be reached in 1983. In the interim, ECB is currently examining the reasonableness of the request and will make recommendation on this issue after additional information is received in response to a recently submitted data request.

A.82-09-19 ALJ/emk/jt

Return on Equity. SoCal is requesting that the same return on equity adopted by this Commission in SoCal's current general rate increase application for test year 1983 be applied to WFCP for the computation of the necessary revenue requirement. Such a request is consistent with the provisions of D.82-02-135 and will be authorized. Inspections

Currently SoCal is performing inspections on all meter installations involving either cash rebates or loans. It is requesting authorization to reduce the level of inspections to 20% when an installer demonstrates consistent proficiency. ECB recommends this provision be adopted, but notes that SoCal is responsible for ensuring quality installations under its WFCP. SoCal's inspection proposal appears reasonable and will be adopted. Master Meter Conversion Program

In D.88651 and D.88969, in C.9988 the Commission mandated master meter conversion programs. SoCal, in consultation with the Commission staff, proposes to include its master meter conversion program in WFCP rather than in the general rate case. SoCal requested \$182,874 to provide information to convince master meter customers to convert 3,400 units to individual meters during 1983. ECB concurs with this proposal and recommends adoption of the program in connection with this matter.

We will not adopt this proposal. The CCA should not be used as a funding source for programs which should have been included as part of SoCal's general rate case. SoCal is directed to include a master meter conversion program in its general rate case for test year 1985.

Other Items

ECB also recommends the following additional items be incorporated into findings and ordering paragraphs of the Commission's decision on this matter:

1. The ECB staff believes by allowing SoCal an ex parte decision and granting all funds requested, SoCal should meet all of its goals or exceed them. Failure to do so will be evaluated by ECB and may be reflected in rate of return recommendations by ECB in an appropriate proceeding.
2. Customers should be informed as to both the loan and rebate programs on either application form. By signing the form one waives the right to take advantage of the other program and acknowledges that a choice was offered.
3. Commission should modify the lien requirement to allow SoCal to accept, as security for WFCP loans in excess of \$5,000, any one of the following forms of security: (a) a lien, (b) an assignment of rents, (c) a payment bond, or (d) a 75% deposit of the outstanding loan.
4. All contractors must hold appropriate class codes of licenses required for installation of the various measures under WFCP.
5. WFCP installations must meet all residential conservation service (RCS) standards for material and workmanship, except as otherwise specified by the Commission.
6. WFCP installations must meet the warranty requirements specified in D.82-02-135 (three years for material and one year for labor).

7. SoCal will be responsible for assuring all work done under WFCP uses quality materials and meets all program requirements. Upon just cause, SoCal should be able to place installation contractors on preinspections.
8. The cash rebate is to be paid to the qualified applicant in a single payment within 30 days following the recorded original (not copy) proof of purchase and a successful inspection verification of the installed measures.
9. All units of the same measure in a residence must be retrofitted if feasible, accessible, and adaptable, in order to qualify for a rebate for that measure. For example, if there are two or more showerheads, all must be replaced with low-flow showerheads in order to receive one \$21 cash rebate.
10. Presently SoCal requires all "Big-Six" measures to be present (installed) for customers to be eligible for a loan under the WFCP. However, no such requirement exists for participation in the credits (rebate) program. The result is that SoCal must make inspection visits costing approximately \$30 to inspect a showerhead and a water heater wrap installation with an eligible credit of under \$30. To complicate the matter, businesses have started a program offering direct sales of just a showerhead and a water heater blanket to SoCal's customers. ECB offers the following recommendation in order to rectify the problem without disrupting the program:

Let the current practice continue for 90 days to allow SoCal to provide notice to customers and contractors that after March 31, 1983 at least



three items of the "Big Six" must be installed and one of the three items must be R-19 attic insulation (R-11 attic insulation will be accepted if installed prior to 1978). After June 30, 1982, all of the "Big Six" items must be in place at the time of SoCal's inspection for the customer to be eligible for the credits (rebates). SoCal will pay credits for only those measures recently installed (since February 17, 1982) for which the customer submits the original proof of purchase and for which no previous credit has been paid. Should this change in the program modify SoCal's goals in 1983, SoCal may request authority to modify its goals and advise the Commission in writing thereof.

11. On a renter's application for a cash rebate, the Owner's Waiver of Rebates section must be signed by the property owner. This releases his claim for utility cash rebates, financing, and tax credits on those measures installed on his property.
12. SoCal should use prudent management principles to ensure that customers receive only one rebate or loan for a measure. This is especially true where overlapping utilities offer similar programs. Original receipts and coordination of inter-utility data should be used to enforce this limitation.

13. SoCal should fulfill the Reporting Requirements, Program Control, and Program Evaluation listed on pages 38 through 41 of Table A of its A.82-09-19 (as ordered by D.82-02-135 and D.82-05-043).
14. Concerning the low-income direct weatherization program, SoCal should file with the Commission within 30 days of the effective date of the order:
  - a. A detailed estimate of the size of the target groups and the potential size of the target markets, i.e. the low-income, landlords, renters, the elderly, and the nonEnglish-speaking.
  - b. SoCal's internal guidelines for the orderly and fair selection of community groups, governmental agencies, and private contractors with which to contract for direct weatherization services.
15. SoCal should provide detailed monthly information concerning WFCP penetration levels among the target markets.
16. SoCal's WFCP and RCS program are fully computerized. In discussions with SoCal's staff and ECB, it appeared that customers participating in RCS, WFCP, or both could have their account number coded and the 12 months' previous usage logged into the customer's account. By analyzing a customer's usage subsequent to his participation in WFCP (or RCS) and comparing it to his former usage, accurate energy savings can be obtained. These savings can be compared to non-participant usage to determine the true effect of the programs. ECB recommends

that meter-read data be required in this decision in order that an accurate assessment of the program can be attained.

17. On May 31, 1983, SoCal should file a report following the criteria outlined in D.82-02-135 including the meter-read data requested in this report. ECB will review the report and discuss with the utility any modifications that may be needed to improve the program in June. If modifications are necessary, they should be implemented in July. This does not relieve SoCal of its responsibility to strive for the most cost-effective WFCP.
18. Except as otherwise noted above, ECB recommends that SoCal's WFCP be continued as ordered by D.82-02-135, D.82-05-043, and D.82-09-062.

ICA takes vehement exception to ECB's recommendation No. 10 modifying the credits program so that it would require the installation of first three conservation measures and ultimately all the so-called "Big Six" measures for consumers to qualify for credits. ICA states that such a procedure is a simplistic approach that could do great damage to an effort that is working extremely well. The basis for the staff's recommendation is that under the present credits program, SoCal must make inspection visits costing approximately \$30 to inspect a showerhead and a water heater wrap installation with an eligible credit of under \$30. ICA agrees that it is not cost-effective to spend \$30 to establish the existence of a \$20 or even less credit. However, it suggests as an alternative consumer self-certification of the installation of minor items such as showerheads, water heater blankets, etc. These

items, according to ICA, are already well-established in law and regulation of the kind which could be self-installed, and notes that both federal and state tax credit regulations permit consumers merely to submit receipts to support their taking such credits when completing tax returns.

We will not adopt ICA's proposal. In prior decisions relating to utility loan programs, we have conditioned loan availability on the installation of all "Big Six" measures. We believe that this policy provides for the maximum amount of cost-effective conservation available without an RCS audit. We see no reason to depart from this policy with respect to SoCal's credits program. Therefore, effective April 1, 1983, we will require that all of the "Big Six" measures be in place at the time of SoCal's inspection for the customer to be eligible for WFCP credits. The balance of the staff recommendation appears reasonable and also will be adopted.

#### Findings of Fact

1. This application should be granted on an ex parte basis.
2. SoCal's proposed rates set forth in Exhibit D attached to the application reflect the reasonable costs expected to be incurred in 1983 and are reasonable and should be authorized. These rates authorize an increase of .469¢ per therm for all customers except electric generation, cogeneration, and ammonia producers and should result in an estimated increase in annual revenues of \$25,656,000.
3. Use of outside consumer credit reporting agencies to verify the credit worthiness of multifamily dwelling owners seeking low interest loans in excess of \$5,000 is an efficient method of operation.
4. SoCal should be authorized to implement late charges as an incentive to timely payment. Such charges would be equal to \$5 or 5% of the installment, whichever is less, in accordance with the provisions of the Unruh Act.

5. SoCal should be permitted to fund loans from repayments of existing loans if the \$150 million capital limit established in D.82-02-135 is reached without further Commission authorization.

6. The return on common equity of 15.75% authorized in SoCal's A.61081 for a general rate increase should be applied in the computations of the WFCP revenue requirements consistent with the provisions of D.82-02-135.

7. SoCal is currently performing inspections of all installations involving either cash rebates or loans, but should be permitted to reduce the level of inspections to 20% for an installer who demonstrates consistent proficiency.

8. SoCal's proposal to include its master meter conversion program in WFCP rather than in general rate proceedings is unreasonable and should not be adopted.

9. This decision granting SoCal the full amount requested should permit it to meet all of its goals or exceed them. SoCal's failure to meet its goals should be included in our rate of return considerations in future proceedings.

10. The loan and rebate application forms should indicate the availability of both programs and note that they are mutually exclusive.

11. SoCal should be allowed to accept as security for WFCP loans in excess of \$5,000 any of the following: a lien, an assignment of rents, a payment bond, or a 75% deposit of the outstanding loan.

12. All contractors should hold appropriate class codes of licenses required for the installation of the various measures under WFCP.

13. WFCP installations should meet all RCS standards for materials and workmanship except as otherwise specified by this Commission.

14. SoCal should be responsible for assuring all work done, to under WFCP uses quality materials and meets all program requirements.

15. The cash rebate should be paid to the qualified applicant in a single payment within 30 days following the recording of the original (not copy) proof of purchase and a successful inspection verification of the installed measures.

16. All units of the same measure in a residence should be retrofitted if feasible and adaptable in order to qualify for rebate for that measure.

17. SoCal will be responsible for assuring that rebates are granted only for the proper installation of approved measures. Single measures will be allowed rebates until March 31, 1983. As of April 1, 1983 the "Big Six" must be found installed to receive any rebates.

18. On a renter's application for a cash rebate, an Owner's Waiver of Rebates should be signed by the property owner.

19. SoCal should use prudent management principles to ensure that customers receive only one rebate or loan for a measure.

20. SoCal should be expected to fulfill the reporting requirements concerning program control and program evaluation listed on pages 38 through 41 of Exhibit A to the application as ordered by D.82-02-135 and D.82-05-043.

21. SoCal should file with the Commission within 30 days of the effective date of the order which follows a detailed estimate of the size of the target groups and the potential size of the target markets and SoCal's internal guidelines for the orderly and fair selection of community groups, governmental agencies, and private contractors with which to contract for direct weatherization service.

22. SoCal should provide detailed monthly information concerning WFCP penetration levels among the target markets.

23. Input to SoCal's WFCP and RCS computerized programs should be required that would permit analysis of other customer's usage subsequent to participation in the programs and comparing it with the former usage thereby providing accurate energy savings information.

24. On or before May 31, 1983 SoCal should file a report following the criteria outlined in D.82-02-135.

25. Except as indicated above, SoCal's WFCP should be continued as ordered by D.82-02-135, D.82-05-043, and D.82-09-62.

Conclusion of Law

The application should be granted to the extent set forth in the ensuing order.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order Southern California Gas Company (SoCal) is authorized to file the revised rate schedules attached to this order as Appendix A and concurrently to cancel the presently effective schedules. Such filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after filing on January 1, 1983, whichever is later.

2. SoCal is authorized to use outside consumer credit reporting agencies to verify the credit worthiness of multifamily dwelling owners seeking low interest loans in excess of \$5,000.

3. SoCal is authorized to implement late charges when timely loan repayments are not received. Such charges shall be \$5 or 5% of the installment, whichever is less.

4. In the computation for the revenue requirements for the Weatherization Financing and Credits Program (WFCP), SoCal is authorized to use the return on equity authorized in SoCal's A.61081 for a general rate increase.

5. SoCal shall perform inspection verifications on all installations involving loans and those involving cash rebates. The inspection level may be reduced to 20% of the installations when the installer demonstrates consistent proficiency.

6. SoCal is directed to include its master meter conversion program in its general rate case for test year 1985.

7. Within 30 days of the effective date of this order SoCal shall submit an advice letter filing application forms for loans and rebates indicating the availability of both options and noting that they are mutually exclusive.

8. The WFCP program shall fully comply with Findings 5, and 11 through 24.

9. SoCal is directed to submit a schedule of rates for the WFCP program to the Public Utilities Commission by January 1, 1985. The schedule shall include the proposed rates for loans and rebates, and shall be filed with the Commission.

10. SoCal is directed to submit a schedule of rates for the WFCP program to the Public Utilities Commission by January 1, 1985. The schedule shall include the proposed rates for loans and rebates, and shall be filed with the Commission.



*Plausibility*  
*Sanji*

9. Except as modified above, SoCal's WFCP shall be continued in full effect as ordered in D.82-02-135, D.82-05-043, and D.82-09-<sup>262</sup>62.

This order becomes effective 30 days from today.

Dated DEC 8 1982, at San Francisco, California.

(Appendix A is to be furnished by Energy Conservation Branch.)

JOHN E. BRYSON

President

RICHARD D. GRAVELLE

LEONARD M. GRIMES, JR.

VICTOR CALVO

PRISCILLA C. GREW

Commissioners

*I dissent from that portion of the decision which authorizes the return on equity of 15.75% as the computation of revenue requirement for the WFCP. Since the WFCP will be a mixture of debt and equity I believe that the overall rate of return should be ~~at least~~ <sup>at least</sup> utilized rather than the return on equity.*

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

*Joseph E. Bodovitz*  
Joseph E. Bodovitz, Executive Director

## APPENDIX A

## SOUTHERN CALIFORNIA GAS COMPANY

Summary of Authorized Rates  
January 1, 1983

<u>Class of Service</u>	<u>Present Rates (¢/Therm)</u>	<u>A.61081 &amp; A.82-09-12 Rates (¢/Therm)</u>	<u>% Increase</u>	<u>A.82-09-19 Rates (¢/Therm)</u>	<u>% Increase</u>
<u>Residential</u>					
Lifeline	40.480	41.610	2.8	42.079	4.0
Tier II	57.318	61.417	7.1	61.886	8.0
Tier III	67.318	71.417	6.1	71.886	6.8
<u>Commercial and Industrial</u>					
GN-1	57.318	61.417	7.1	61.886	8.0
GN-2	57.318	61.417	7.1	61.886	8.0
G-COG	53.808	55.000	2.2	55.000	2.2
GN-32-42	54.750	56.037	2.3	56.506	3.2
GN-36-46	54.750	56.037	2.3	56.506	3.2
Ammonia Producers	46.958	45.494	(3.2)	45.494	(3.2)
<u>Utility Electric Generation</u>					
Scattergood	53.808	55.000	2.2	55.000	2.2
GN-5	53.808	55.000	2.2	55.000	2.2
<u>Wholesale</u>					
G-60	43.494	42.100	(3.3)	42.100	(3.3)
G-61	43.494	42.100	(3.3)	42.100	(3.3)

(Red Figure)

(END OF APPENDIX A)