

Decision SZ 12 106 DEC 22 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application )  
of the SOUTHERN CALIFORNIA GAS )  
COMPANY for Authority to Increase )  
the Conservation Cost Adjustment )  
(CCA) Component in Its Effective )  
Rates in Order to Continue Its )  
Residential Conservation Service )  
(RCS) Program. )

**ORIGINAL**

Application 82-09-11  
(Filed September 3, 1982)

O P I N I O N

Southern California Gas Company (SoCal) requests authority to increase the Conservation Cost Adjustment (CCA) component in its effective rates by \$3,970,000. This increase is for the additional second-year costs of its previously approved Residential Conservation Service (RCS) Program and includes estimated undercollections in the CCA balancing account of \$1,630,000 as of December 31, 1982.

SoCal requests ex parte consideration of this application, because: (1) it is only requesting continuation of a program which has been thoroughly reviewed and recently approved by the Commission in Decision (D.) 82-02-135 (February 17, 1982) and D.82-05-043 (May 4, 1982); (2) the Commission has approved, ex parte, other of SoCal's CCA applications, e.g. D.82-07-097 (July 21, 1982); and (3) approval of SoCal's request will result in a relatively small rate increase to SoCal's customers of only 0.1% overall. The staff concurs that the matter should be handled on an ex parte basis.

Background

The National Energy Conservation Policy Act (NECPA), Pub.L. No. 95-619, 92 Stat. 3206, et seq., as amended by Pub.L. No. 96-1104, in Title II, Part I, specifies the requirements to be

met by utilities in carrying out the Residential Energy Conservation Plan of each state. Moreover, the United States Department of Energy (DOE) has issued a set of final rules to establish the RCS Program requirements for the states. The purpose of the RCS Program is to encourage the adoption of energy conserving practices and the installation of energy conservation measures, including renewable resource measures, in existing dwellings, by residential customers of large utilities such as SoCal.

The DOE has prescribed the contents of state plans for utility administration of RCS Programs. The California Energy Commission (CEC) is the designated lead agency for development and implementation of the California RCS Plan. The California RCS Plan was approved by the DOE on December 29, 1980 and implemented systemwide by SoCal on July 1, 1981.

In D.82-02-135 (February 17, 1982), the Commission authorized SoCal to collect \$12 million in rates for the first-year operation of the RCS Program. SoCal began collecting these rates on May 4, 1982. In 1982, SoCal is expected to collect a total of \$5.9 million and expend \$8.9 million for implementation of its RCS Program. Much of the 1982 expenses were to start the program and, consequently, are not expected to recur in future years.

#### Facts Supporting Rate Increase

SoCal requests authority to increase rates to produce additional CCA revenue of \$3.970 million to cover the second-year costs of its RCS Program and to recover the undercollection in the CCA balancing account. SoCal alleges that this rate relief is necessary to continue this mandated program during 1983. A detailed description of the 1983 program activities is attached to the application as Exhibit A. The estimated revenue requirement for the CCA for 1983 is set forth in the following table:

Residential Conservation Service  
Conservation Cost Adjustment  
Estimated Year 1983

Revenue Requirement  
(S000)

	<u>Expense</u>
Advertising	500
Public Affairs	0
<u>Marketing &amp; Communication</u>	
Labor, Rent, etc.	1,111
Computer Analysis	2,151
Class "B" Audits	1,133
Printed Material	1,956
Research	30
Data Processing	516
Audits and Consumer Affairs	4,877
Santa Monica Audits	442
Subtotal	12,716
Balancing Account 12/31/82	1,630
Subtotal	14,346
Franchise Fees & Uncollectible Expense @ 1.668%*	239
Total Revenue Requirement	14,585
Less Revenue at Present Rates	10,615
Additional Revenue Requirement	3,970

CCA Rates

	<u>Per Therm</u>
Incremental Increase:	
$\$3,970 \div 5,465,266 \text{ MTherms} =$	0.073
Present Rate	0.194
Proposed Rate	0.267

\*1983 Test Year Requested F&U.

The estimated costs for 1983 are based on SoCal's modified "Class A" audit approved by the CEC on May 10, 1982. The modified audit allows the use of average measurements from completed audit histories for six different groups based on square footage rather than individual measurements for each building envelope. The objective of the modified Class A audit is to reduce the amount of time required to conduct the Class A audit and thereby reduce the cost of performing audits. SoCal also plans to implement a "Class B" or "do it yourself" audit during 1983. Assuming funding is in place, SoCal will begin offering these audits as early as possible in 1983. However, given printing time for forms, and training of auditors, SoCal anticipates that full implementation will only be achieved by the end of the first quarter of 1983.

If the amendments to the California RCS Plan currently under consideration by the CEC are adopted and result in further simplification of audits, SoCal will increase the number of audits within the revenue amount requested. SoCal will also offer audits to multifamily residents under DOE regulations, issued on July 26, 1982.

SoCal and Southern California Edison Company are now negotiating with the City of Santa Monica for it to perform 11,500 audits during 1983. The cost for SoCal's share of the anticipated contract is included in 1983 program costs and contributes to the need for increased revenues.

#### Rate Proposal

SoCal proposes to increase its rates to all retail customers, except utility electric generation and ammonia producers, on a uniform 0.073¢ per therm basis, in conformance with the rate design adopted for the initial CCA in D.82-02-135.

A summary of SoCal's present and proposed rates is shown in the following table:

Summary of Present and Proposed Rates  
Including Proposed RCS Program Revenue Increase  
January 1 to December 31, 1983

<u>Class of Service</u>	<u>Commodity Rates in c/Therm</u>	
	<u>Present Rates *</u>	<u>Proposed Rates **</u>
<u>Residential</u>		
Lifeline	40.480	40.552
Tier II	57.318	57.391
Tier III	67.318	67.391
<u>Commercial-Industrial</u>		
GN-1	57.318	57.391
GN-2	57.318	57.391
G-COG	53.808	53.808
GN-32/42	54.750	54.823
GN-36/46	54.750	54.823
Ammonia Producers	46.958	46.958
<u>Util. Elec. Gen.</u>		
Scattergood Unit #3	53.808	53.808
GN-5	53.808	53.808
<u>Wholesale</u>		
G-60	43.494	43.494
G-61	43.494	43.494

\*Rates as of September 3, 1982.

\*\*Rates proposed by SoCal.

The effect of the proposed rates upon SoCal's system revenues by classes of customers is shown in the following table:

Summary of Proposed RCS Program Revenue Increase  
January 1 to December 31, 1983

<u>Class of Service</u>	<u>Estimated Sales</u> <u>M Therms</u>	<u>Estimated Revenue</u>		<u>Annualized Increase</u>		
		<u>at</u>		<u>MS</u>	<u>¢/Therm</u>	<u>%</u>
		<u>Present Rates</u>	<u>Proposed Rates</u>			
		<u>MS</u>	<u>MS</u>			
<u>Residential</u>						
Customer Charge		141,095	141,095	-	-	-
Commodity						
Lifeline	2,050,940	830,221	831,710	1,490	0.073	0.2
Tier II	594,933	341,004	341,436	432	0.073	0.1
Tier III	298,726	201,096	201,313	217	0.073	0.1
Total Residential	2,944,599	1,513,416	1,515,554	2,139	0.073	0.1
<u>Commercial-Industrial</u>						
Customer Charge		13,299	13,299	-	-	-
Commodity						
GN-1	941,066	539,400	540,084	684	0.073	0.1
GN-2	578,675	331,685	332,105	420	0.073	0.1
G-COG	26,914	14,482	14,482	0	0.000	0.0
GN-32/42	530,192	290,280	290,665	385	0.073	0.1
GN-36/46	470,734	257,727	258,069	342	0.073	0.1
Ammonia Producers	106,119	49,831	49,831	0	0.000	0.0
Total Comm. & Indus.	2,653,700	1,496,704	1,498,535	1,831	0.069	0.1
<u>Util. Elec. Gen.</u>						
Customer Charge		24	24	-	-	-
Commodity						
Scattergood Unit #3	178,652	96,129	96,129	0	0.000	0.0
GN-5	2,754,057	1,481,903	1,481,903	0	0.000	0.0
Total Util. Elec. Gen.	2,932,709	1,578,056	1,578,056	0	0.000	0.0
Total Retail	8,531,008	4,588,176	4,592,145	3,970	0.047	0.1
<u>Wholesale</u>						
G-60 - Capacity		3,444	3,444	0	0.000	0.0
- Commodity	303,773	132,123	132,123	0	0.000	0.0
G-61 - Capacity		3,444	3,444	0	0.000	0.0
- Commodity	954,662	415,221	415,221	0	0.000	0.0
Total Wholesale	1,258,435	554,232	554,232	0	0.000	0.0
System Total	9,789,443	5,142,408	5,146,377	3,970	0.041	0.1

### Staff Proposals

While the staff concurs that the application should be granted by ex parte order, it does propose by affidavit, filed November 22, 1982 and served on all parties, that the order granting the application be qualified in three ways:

1. The Commission should provide monetary incentives to SoCal in order to ensure achievement of the goals identified in the application.
2. The Commission should require SoCal to update its per-audit expense and goal estimates during the course of its 1983 program in the event that the RCS lead agency amends current RCS regulations to simplify RCS audits or otherwise modifies the RCS Program requirements.
3. SoCal should be ordered to provide the results of its consumption surveys to the Commission.

We will discuss each of these recommendations in turn.

### Monetary Incentives

SoCal's goal in 1982 was to complete 146,000 RCS Class A audits. By year's end, SoCal expects to complete only 37,481 of those audits. SoCal's goal for 1983 is to complete 180,500 RCS audits: 115,000 Class A audits, 54,000 Class B audits and 11,500 audits under contract with the City of Santa Monica. Given full and timely funding as assured by the order below, the staff believes that SoCal should be required, under threat of monetary penalties, to achieve its stated goals. The staff proposes that the Commission place SoCal at risk for its proposed advertising and a portion of its marketing and communications expenses, specifically, \$1,618,400, which includes advertising expenses (\$500,000), marketing labor and rents (\$1,111,000), and consumer affairs staff expenses (\$7,400). These amounts, according to staff, should be made subject to disallowance in SoCal's 1983 CCA revision filing on November 1, 1983. We too agree that SoCal's 1982 audit performance has not been effective

in terms of the goals that SoCal has set nor has it been effective in meeting the stated goals of the State RCS plan. One reason for this is that SoCal did not begin collecting moneys for the RCS Program until early May. We will expect substantially improved performance from SoCal in delivering residential audits to its customers during 1983. SoCal should also develop simpler and less time-consuming audits in accordance with the soon to be issued Phase II modification to the State RCS plan. We will also expect SoCal to cooperate effectively with cities and community groups who can demonstrate that their organizations can deliver residential audits more cost effectively than SoCal. We will again review the overall cost and the effectiveness of SoCal's RCS Program prior to adopting a level of funding for these activities for calendar year 1984. At that time, we will expect substantially improved performance by SoCal based on its 1983 program.

Filing New Audit Expense Estimates and Goals

The staff proposes that SoCal should also be required to file new audit expense estimates and goals upon the amendment or simplification of the statewide RCS plan and program by the RCS lead agency, at present, the CEC. The CEC is currently developing a revised audit which would reduce per-audit costs by simplifying the audit format. If a revised audit is approved, SoCal should concomitantly review and revise its expense estimates and objectives.

In its application SoCal states that if the CEC changes the state RCS plan, SoCal will increase the number of audits within the limits of the revenues authorized by the Commission. This implies review and revision by SoCal of the audit program in light of any changes made by the CEC. We believe that to require SoCal to file with the ECB the results of that review would not be burdensome. Thus, this staff proposal is reasonable and should be adopted.



We note that SoCal's budget for 1983 is \$12,716,000 plus \$239,000 for franchise fees and uncollectibles expense for a total of \$12,955,000. This total of \$12,955,000 divided by SoCal's goal of 180,500 audits (including Class A, Class B, and Santa Monica audits) gives an approximate cost per audit of \$72. We would hope that SoCal's costs could be brought below the \$72 per audit level. As discussed above, SoCal should continue its efforts to simplify and streamline its audits consistent with the State RCS Plan. Regardless of the number of audits actually performed, SoCal is not authorized to spend more than \$100 per audit. This amount is a reasonable average considering the mix of Class A, Class B, and Santa Monica audits projected by SoCal. We will review the reasonableness of SoCal's achievements and expenses in 1983 upon the filing of the October 1983 RCS application.

Statistical Survey

SoCal has included in its 1983 funding request \$30,000 for a 1983 statistical survey to determine consumption differences

between those customers participating in the program and installing measures as a result of their participation, those customers participating in the program but declining to install measures, and those customers not participating in the program. This survey will be based upon an analysis of meter data. The staff recommends that SoCal be required to provide to the Commission the results of the survey as well as the methodology and data used to reach those results.

This is a reasonable request and it will be granted.

#### Findings of Fact

1. The revenue increases sought by SoCal offset and pass through to customers only increased costs of the RCS Program.
2. SoCal gave appropriate notice to the public of the filing of the application. No formal protests have been filed.
3. The proposed increases in rates are necessary to support the RCS Program and are fair, just, and reasonable.
4. SoCal's 1983 estimated cost per audit based on A.82-09-11 is approximately \$72 after including franchise fees and uncollectibles.

#### Conclusions of Law

1. The application should be granted. However, SoCal should be placed on notice that the reasonableness of its RCS Program achievements and expenses will be reviewed together upon the filing of the October 1983 RCS application.
2. SoCal will fail to meet its RCS audit goal of 146,000 audits in calendar year 1982. In fact, we now anticipate that it will complete under 38,000 such audits during 1982. It is reasonable to expect SoCal to meet its stated RCS audit goal for 1983. It is also reasonable to expect SoCal to cooperate with cities and community action agencies who can develop RCS audits more cost effectively than SoCal to assist it in achieving its goal.
3. SoCal should be ordered to submit to the staff the results of any review of the audit program occasioned by any CEC revisions to the state RCS plan.
4. SoCal should be ordered to submit to the staff the results of its statistical survey, together with the data used and a description of SoCal's methodology.

5. SoCal should be authorized to file the appended tariff sheet.

6. SoCal should seriously pursue its efforts to simplify and streamline Class A and Class B audits and reduce the costs per audit in keeping with the modifications to the State RCS Plan made by the California Energy Commission (CEC). SoCal's average cost per audit should not exceed \$100.

7. This order should be effective immediately because SoCal will begin to incur additional RCS Program costs as of January 1, 1983.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company (SoCal) is authorized to file the appended tariff sheet and to make it effective no earlier than January 1, 1983, upon at least five days' notice to the public.

2. SoCal shall provide to the staff of the Energy Conservation Branch the review and survey results called for in Conclusions of Law 3 and 4.

3. SoCal shall conduct its 1983 RCS Program in a manner consistent with Conclusions of Law 6.

This order is effective today.

Dated DEC 22 1982, at San Francisco, California.

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.

## APPENDIX A

## SOUTHERN CALIFORNIA GAS COMPANY

Summary of Authorized Rates  
January 1, 1983

<u>Class of Service</u>	<u>Present Rates</u> (¢/Therm)	A.61081 & A.82-09-12 <u>Rates</u> <sup>1/</sup> (¢/Therm)	A.82-09-19 <u>Rates</u> <sup>2/</sup> (¢/Therm)	A.82-09-10 & A.82-09-11 <u>Rates</u> <sup>3/</sup> (¢/Therm)	<u>% Increase</u>
<u>Residential</u>					
Lifeline	40.480	41.610	42.079	42.229	4.3
Tier II	57.318	61.417	61.886	62.036	8.2
Tier III	67.318	71.417	71.886	72.036	7.0
<u>Commercial and Industrial</u>					
CN-1	57.318	61.417	61.886	62.036	8.2
CN-2	57.318	61.417	61.886	62.036	8.2
C-COC	53.808	55.000	55.000	55.000	2.2
CN-32-42	54.750	56.037	56.506	56.656	3.5
CN-36-46	54.750	56.037	56.506	56.656	3.5
Ammonia Producers	46.958	45.494	45.494	45.494	(3.2)
<u>Utility Electric Generation</u>					
Scattergood	53.808	55.000	55.000	55.000	2.2
CN-5	53.808	55.000	55.000	55.000	2.2
<u>Wholesale</u>					
G-60	43.494	42.100	42.100	42.100	(3.3)
G-61	43.494	42.100	42.100	42.100	(3.3)

(Red Figure)

1/ \$219,798,700 - \$63,361,000 + \$5,000,000 = \$161,437,700  
General rate case - CAM decrease + conservation reward

2/ \$25,656,000  
Weatherization adjustment

3/ \$3,970,000 + \$4,228,000 = \$8,198,000  
RCS program + Solar Financing  
Total Increases \$195,291,700

(END OF APPENDIX A)

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#### Facts Supporting Rate Increase

SoCal requests authority to increase rates to produce additional CCA revenue of \$3.970 million to cover the second-year costs of its RCS Program and to recover the undercollection in the CCA balancing account. SoCal alleges that this rate relief is necessary to continue this mandated program during 1983. A detailed description of the 1983 program activities is attached to the application as Exhibit A. The estimated revenue requirement for the CCA for 1983 is set forth in the following table:

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January 1, 1983

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Total Increases \$195,291,700

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