

Decision 82 12 107 December 22, 1982

ORIGINAL

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)
Demonstration Solar Financing)
Program.)

Application 82-09-10
(Filed September 3, 1982)

O P I N I O N

Southern California Gas Company (SoCal) requests^{1/} authority to increase the Conservation Cost Adjustment (CCA) component in its effective rates by \$4,228,000. This increase is for the additional third-year costs of its previously approved three-year demonstration solar financing program (solar program) and includes estimated undercollection of \$2,133,000 in the CCA balancing account as of December 31, 1982.

1/ By letter dated November 3, 1982, SoCal stated that it had discovered an error in the calculation of program expenses for 1982. By correcting the error, the increase in the CCA component is reduced from \$5,449,000 to \$4,777,000. In a letter dated November 23, 1982, SoCal requests authority to terminate its loan program as of December 31, 1982, and, accordingly, projects savings of \$96,500 for 1982. In addition, SoCal projects a \$444,200 reduction in costs for 1983.

SoCal also seeks authority to terminate its loan program as of December 31, 1982. SoCal, contends that the 9,500 unit loan program's objective should be terminated at the 8,500 unit level.

SoCal requests ex parte consideration of its application, as amended. According to SoCal, ex parte consideration is appropriate because it only requests continuation of a program which we have reviewed and approved in Decisions (D.) 92251 and 92854. We also approved ex parte SoCal's second-year activities and costs in D.82-07-097 (July 21, 1982) in Application (A.) 82-01-27. Approval of SoCal's request will result in a rate increase to its customers of less than 0.1%. The staff has reviewed the application and approves of ex parte handling. No protests have been filed.

Background

After extensive hearings in Order Instituting Investigation (OII) 42, the Commission in D.91272 (January 29, 1980) required SoCal and the other three major energy utilities to submit plans for the implementation of a solar program. In compliance with that order, SoCal submitted its proposed solar program in A.59869 (August 6, 1980). In D.92251 (September 16, 1980), the Commission ordered SoCal to implement a solar program.

SoCal, in A.82-01-27 (January 13, 1982), requested authority to increase rates in order to continue its solar program. As a part of that application, SoCal also included an updated

multifamily solar industry support program, which was previously submitted to the Commission on May 21, 1981. The Commission in D.82-07-097 (July 21, 1982) approved all of the proposed second year activities, except for the increase in the advertising and marketing budget.

In D.82-07-101 (July 21, 1982) the Commission expanded the definition of multifamily dwellings to include long-term residential care facilities and college or university dormitories. It further ordered, in D.82-07-102 (July 21, 1982), that SoCal provide proportional rebates to owners of multifamily dwellings in those instances where it is physically impractical to install enough collectors to meet the Commission's sizing requirements for all units in the building. On September 22, 1982, in D.82-09-112, the Commission amended D.82-07-102 to correct a clerical error by adding "or solar heated storage volume", as another factor to be considered when a physical impracticality arises regarding the application of proper sizing requirements.

Facts Supporting Need for Increased Rates

SoCal requests authority to produce additional CCA revenues of \$4,228,000 to recover the additional third-year costs of its solar program and to cover undercollections in the CCA balancing account. This rate relief, according to SoCal, is necessary to continue the solar program during 1983. A detailed

description of SoCal's 1982 and 1983 solar program activities is attached as Exhibit A to the application.^{2/}

SoCal alleges that the single-family phase of the solar program will be completed in 1982, with SoCal attempting to reach the maximum authorized limits of credits and loans. Neither single-family loans nor credits will be offered in 1983. (For further discussion regarding the loan program see "Loan Termination Proposal.") Termination of the single-family phase of the program will allow SoCal to emphasize the multifamily program and encourage contractors to work in the multifamily sector.

SoCal is continuing its multifamily solar industry support program. This industry support program is designed to assist the solar industry to accelerate the penetration of the multifamily market. In addition, SoCal will begin to implement the low-income grant program in the public housing multifamily segment of the market as approved by D.82-07-097. During 1983, SoCal will devote 10% of its three-year demonstration program budget to provide low-income grants. Estimated costs for this program are included in the proposed revenue increase.

^{2/} Several pages of the application were amended twice by letters dated November 3 and November 23, 1982, namely: page 7, page B-1 of Exhibit B, pages C-1, C-2 and C-3 of Exhibit C, and page D-1 of Exhibit D which are all part of and attached to the application.

SoCal proposed, in a separate motion filed August 31, 1982 in OII 42, to back up warranties for those contractors participating in the program who have filed bankruptcy or have gone out of business. On November 3, 1982 in D.82-11-025, the Commission granted SoCal's motion, but ordered that "only reasonable and prudent costs associated with labor warranty service may be included in SoCal's CCA balancing account". Thus, while in its motion SoCal estimated that the annual cost for warranty service would be \$142,500, and while SoCal included in the proposed rate increase costs of \$82,500, only reasonable and prudent costs, as found by the Commission, will ultimately be collected through the CCA balancing account.

On August 2, 1982, SoCal submitted by Advice Letter 1324 certain agreements to be executed between the lender and SoCal's affiliate, Southern California Solar Financing Company. On the date the application was filed, the Commission had not yet approved those agreements. Therefore, in its application, SoCal classified all costs for estimated year 1983 under the expense component of the CCA. SoCal did not use the debt component of the rate because the Commission established that component to provide assurance to third-party lenders of complete debt service recovery. SoCal alleges that when the agreements are approved by the Commission, and executed by the parties, SoCal will immediately draw down the

loan and will segregate debt service costs from the expense rate component and state them separately in the preliminary statement of the tariff.

On September 8, 1982, the Commission signed Resolution G-2481, approving Advice Letter 1324. However, the text of that resolution was not completely satisfactory to SoCal's lender, so SoCal sought certain modifications to Resolution G-2481. On November 17, 1982, in Resolution G-2501 the Commission approved the modifications to Resolution G-2481 sought by SoCal. Only the execution of the loan documents by SoCal and its affiliate and lender remains to be accomplished. When that transaction is completed, SoCal should make the appropriate tariff filings as indicated in the preceding paragraph.

Loan Termination Proposal

SoCal states^{3/} that it will be unable to close 1,000 of the 9,500 loans originally authorized, because either the customers have become disinterested, contractors have either left the area or they have gone out of business.

According to the company, SoCal began accepting applications for low-interest loans for solar/gas water heating installations on September 30, 1981. In less than 30 days, SoCal had received in excess of 9,500 loan applications and notified the

^{3/} This statement is in a letter dated November 23, 1982, in which SoCal relates the background and current status of the loan phase of the demonstration solar financing program.

solar industry that no more applications would be accepted after November 6, 1981. By November 6, approximately 14,000 loan applications had been received.

These applications in excess of 9,500 were placed on a waiting list to be granted a loan in the event some of the first 9,500 customers cancelled their application, did not qualify, or otherwise did not follow through on the installation of a solar/gas water heating system. It was reasonable to assume that a waiting list of approximately 4,500 applicants was more than sufficient, and that the limit of 9,500 loans would easily be attained.

All loan applications were processed; credit reports were ordered and evaluated and about 12,000 lot book reports were ordered for property and title descriptions. Approximately 10,600 loan agreements and subordinated trust deeds were mailed to applicants for their signature and notarization. Out of this number, 22% of the applicants have not returned executed loan documents.

On August 16, 1982 SoCal, by letter, offered those customers another opportunity to reactivate their applications. Approximately 200 customers have resubmitted their applications. With installations completed and loans committed, it appears that 8,500 installations will be completed under the low-interest loan phase of the program by year end 1982. SoCal feels that 8,500

low-interest loans constitute significant obtainment of the 9,500 goal established by the Commission, especially since only SoCal has offered low-interest loans, in addition to rebates, to utility customers.

SoCal states that termination of the single-family loan and program at this point will allow it to focus attention on the multifamily market which has not responded as well as the single-family market. Therefore, SoCal requests authority to terminate the loan program on December 31, 1982, at the 8,500 unit level.

SoCal has recalculated all expenses relating to the proposed termination of the loan program for calendar years 1982 and 1983. SoCal has revised the increase in the revenue it previously requested, as well as the balancing account figures and the rate per therm. Also, SoCal resubmitted certain revised pages of the application to show these expense and revenue adjustments. SoCal calculates total savings for 1982 at \$95,600, including \$20,000 in capital costs. The 1983 savings are considerably greater: capital savings total \$426,000 while the administrative expenses amount to \$18,200 for a total savings of \$444,200 for the year. Thus, the savings for the two years equal \$539,800. ✓

Under these circumstances, we agree that it would be unreasonable for SoCal to launch a full-scale effort to solicit additional participants for its solar loan program. As of January 1, 1983, there will be approximately nine months left in the

OII 42 program. During this time, SoCal's efforts are best spent in penetrating the low-income and multifamily markets. Therefore, we will not require SoCal to recruit additional loan participants, nor will we authorize any funds for this purpose. ✓

Nonetheless, until the 9,500 level has been reached, SoCal should continue to issue loans to qualified persons. These loans should be booked to the CCA balancing account for recovery in the next solar offset proceeding. While SoCal should not conduct a full-scale publicity campaign to promote solar loans, it should use every no-cost or low-cost means available to inform the public of loan availability. ✓

Proposed Rate Changes

SoCal proposes to increase its rates to all retail customers, except utility electric generation, cogeneration, and ammonia producers, by a uniform 0.077 cents per therm, in conformance with the rate design adopted for the initial CCA in D.92854 and D.82-07-097. The following table shows present and proposed rates for the various customer classes:

Present Rates and Proposed Rates
Including Proposed Solar Program Revenue Increase
January 1 to December 31, 1983

<u>Class of Service</u>	<u>Commodity Rates in Cents Per Therm</u>	
	<u>Present Rates**</u>	<u>Proposed Rates</u>
<u>Residential</u>		
Lifeline	40.480	40.557
Tier II	57.318	57.395
Tier III	67.318	67.395
<u>Commercial-Industrial</u>		
GN-1	57.318	57.395
GN-2	57.318	57.395
G-COG	53.808	53.808
GN-32/42	54.750	54.827
GN-36/46	54.750	54.827
Ammonia Producers*	46.958	46.958
<u>Utilities Electric 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

*No change.

**Rates as of September 3, 1982.

Recovery of the \$4,228,000 revenue increase by customer class is shown in the following table:

SUMMARY OF PROPOSED SOLAR PROGRAM REVENUE INCREASE
JANUARY 1 TO DECEMBER 31, 1983

<u>CLASS OF SERVICE</u>	<u>Estimated Sales M THERMS</u>	<u>Estimated Revenue</u>		<u>Annualized Increase</u>		
		<u>At</u>		<u>MS</u>	<u>CENTS/THERM</u>	<u>%</u>
		<u>Present</u>	<u>Proposed</u>			
		<u>RATES</u>	<u>RATES</u>			
		<u>MS</u>	<u>MS</u>			
<u>RESIDENTIAL</u>						
Customer Charge		141,095	141,095	-	-	-
Commodity						
Lifeline	2,050,940	830,221	831,807	1,587	0.077	0.2
Tier II	594,933	341,004	341,464	460	0.077	0.1
Tier III	298,726	201,096	201,327	231	0.077	0.1
Total Residential	2,944,599	1,513,416	1,515,693	2,278	0.077	0.2
<u>COMMERCIAL-INDUSTRIAL</u>						
Customer Charge		13,299	13,299	-	-	-
Commodity						
GN-1	941,066	539,400	540,128	728	0.077	0.1
GN-2	578,675	331,685	332,133	448	0.077	0.1
G-COG	26,914	14,482	14,482	0	0.000	0.0
GN-32/42	530,192	290,280	290,690	410	0.077	0.1
GN-36/46	470,734	257,727	258,091	364	0.077	0.1
Ammonia Producers	106,119	49,831	49,831	0	0.000	0.0
Total Comm. & Indus.	2,653,700	1,496,704	1,498,654	1,950	0.073	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	4,592,404	4,228	0.050	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
<u>SYSTEM TOTAL</u>	9,789,443	5,142,408	5,146,635	4,228	0.043	0.1

Correspondence

This application is the first of four rate increase applications filed by SoCal within a few days.^{4/} Thus, some of the correspondence received and placed in the file of A.82-09-10 pertains to the combined effect of the four applications. For instance, the City of Pico Rivera sent a letter opposing A.82-09-10, A.82-09-11, and A.82-09-12. The City of Burbank sent a resolution opposing all four applications. The City of El Monte opposes A.82-09-10 because of the 32.8% (\$11.24 per month) increase involved. It is obvious that the increase to which the city refers is the combined effect of the four applications. Again, the City of Buena Park, referring only to A.82-09-10, objects that the increase is "too large".

In contrast, the letters sent by individual ratepayers object to the increase proposed by A.82-09-10. Several hundred ratepayers, whose letters occupy five file folders, were not deterred from objecting by the small size of this proposed increase. That this application involves a 0.1% increase in revenues for SoCal and a ten cents increase for customers using 100 therms per month does not prevent many from observing that they

^{4/} A.82-09-10 and A.82-09-11 were filed September 3, A.82-09-12 was filed September 8, and A.82-09-19 was filed September 15, 1982.

are subsidizing those few who are benefiting from low-interest solar loans, rebates, federal and state income tax benefits, and lower utility bills.

While we acknowledge the cogency of these observations, we believe that the long-run interests of California ratepayers will be served by a program that encourages solar installations as a means of helping to reduce our reliance upon costly energy supplies, imported from other jurisdictions at costs over which we have no control.

Finding of Fact

1. SoCal requires increased revenues for the additional costs it estimates it will incur in 1983 for its solar program.
2. Increased revenues of \$4,228,000, including \$2,133,000 of undercollections in the CCA balancing account, will be necessary to defray SoCal's additional costs for 1983.
3. SoCal's proposal to terminate its loan phase of the program at the end of year 1982 is unreasonable and, therefore, is not adopted.
4. SoCal's proposed CCA rates for its 1983 solar program are fair, just, and reasonable.
5. Notice of the filing of the application was given by SoCal; no formal protests have been filed.

Conclusions of Law

1. The application, as amended, should be granted.
2. SoCal should be authorized to file the appended rate schedule.
3. Since SoCal will begin to incur additional costs for its solar program on January 1, 1983, the following order should be effective immediately.
4. SoCal should be required to issue loans to qualified applicants until the program goal of 9,500 loans has been reached. Such loans should be booked to the CCA balancing account for recovery in the next solar offset proceeding.
5. SoCal should not be required to launch a full-scale effort to solicit new applicants but should use every no-cost or low-cost means available to inform the public of loan availability.

2. Southern California Gas Company is further authorized to terminate the loan phase of the demonstration solar financing program at the end of the year 1982.

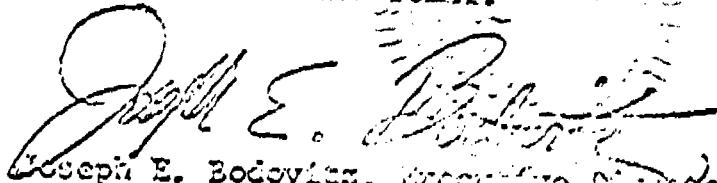
3. The Executive Director shall cause copies of this decision to be mailed to the parties in OII 42.

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.


Joseph E. Bodovick, 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 & A.82-09-12 Rates- (¢/Therm)</u>	<u>A.82-09-19 Rates- (¢/Therm)</u>	<u>A.82-09-10 & A.82-09-11 Rates- (¢/Therm)</u>	<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
G-COG	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)
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(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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OII 42 program. During this time, SoCal's efforts are best spent in penetrating the low income and multi-family markets. Therefore, we will not require SoCal to recruit additional loan participant⁵, nor will we authorize any funds for this purpose. 25

Nonetheless, until the 9,500 level has been reached, SoCal should continue to issue loans to qualified persons. These loans should be booked to the CCA balancing account for recovery in the next solar offset proceeding. While SoCal should not conduct a full-scale publicity campaign to promote solar loans, it should utilize every no-cost or low-cost means available to inform the public of loan availability.

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