

ALJ/EA /jt

ORIGINALDecision 83 03 039 MAR 16 1983

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)
Weatherization Financing and)
Credits Program.)

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

ORDER MODIFYING DECISION 82-12-048

On February 9, 1983 the Insulation Contractors Association (ICA) filed a petition to modify Decision (D.) 82-12-048 with respect to Finding of Fact 17^{1/} and Ordering Paragraph 9.^{2/} ICA seeks modification to the decision under Public Utilities Code Section 1731.

In addition, on February 18, 1983 Southern California Gas Company (SoCal), under Rule 43 of this Commission's Rules of Practice and Procedure, petitioned for modification and clarification of D.82-12-048. Specifically, SoCal requests the

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- 1/ "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." (Mimeo. page 14.)
- 2/ "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.82-09-062." (Mimeo. page 17.)

Commission to immediately suspend the requirement for the installation of the "Big Six"^{3/} measures before receiving conservation credits (rebates) and that after full consideration of this petition, the Commission modify D.82-12-048 to:

1. Permanently remove the requirement, effective April 1, 1983, that a customer must install the "Big Six" in order to receive any rebate;

or in the alternative

2. Suspend the above mandatory "Big Six" requirement until the Commission can review the matter further in SoCal's next Weatherization Financing and Credits Program (WFCP) rate application;

and further to modify the decision to

3. Allow SoCal to recover master meter conversion program costs through the Conservation Cost Adjustment (CCA) mechanism.

The "Big Six" Requirement

Exhibit 1 in this proceeding was a report prepared by the Commission staff's Energy Conservation Branch (ECB) summarizing SoCal's WFCP, together with its recommendations regarding SoCal's proposed modifications for WFCP. This report was circulated to all parties of record in SoCal's application for authority to implement the WFCP, Application 60447. ICA vehemently objected to one of ECB's recommendations, to modify the credits program so that effective June 30, 1983 all of the "Big Six" items must be in place at the time of SoCal's quality assurance inspection for the customer to be eligible for rebates. The basis for ECB's recommendations was that under the then existing credits program SoCal must make inspection visits costing approximately \$30, even to verify installation of only a showerhead and a water heater wrap, with eligible credits

^{3/} The "Big Six" measures are (1) attic insulation; (2) weather-stripping; (3) water heater blankets; (4) low-flow shower heads; (5) caulking; and (6) duct wrap.

of under \$30. ICA agreed that such a procedure was not cost-effective and recommended a self-certification program. In D.82-12-048 we rejected self-certification and required, effective April 1, 1983, 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. This requirement increased the cost-effectiveness of inspections and paralleled our practice of conditioning loan availability on the installation of all "Big Six" measures.

In its petition to modify D.82-12-048, ICA alleges that the decision ties together dissimilar programs to arrive at its conclusion, will add to the cost of the program, and is damaging to the attainment of the Commission's stated conservation goals.

ICA argues that no attempt was made to differentiate between the mechanics of a loan program and those of a rebate program. According to ICA, loans requiring potentially 100 months to carry and service are lumped together with rapid turnaround rebate actions which require the consumer to undertake an all-up-front cash action with the certain knowledge that a credit will be forthcoming. Consequently, according to ICA, these dissimilar programs should not necessarily be treated the same. This position has merit.

ICA further argues that there can be little question that the "Big Six" restrictions will add to the cost of the program by necessitating much heavier promotion by both the contractors and the utility to induce the consumer to install the conservation measures. In its petition for modification of the decision, SoCal notes that there are substantial startup and overhead costs which do not vary greatly with the number of participants. Consequently, according to SoCal, if the "Big Six" restriction results in a reduction in the number of participants, the cost per participant will increase with a resulting decrease in the program cost-effectiveness.

According to ICA, the "Big Six" restriction would reduce customer response by requiring much more cash at one time. This position is supported by SoCal in its petition for modification. According to SoCal, the average contractor installation of all "Big Six" measures, except attic insulation, is about \$352 for a single-family dwelling with a net cost to participants after rebates of \$198. Adding attic insulation would increase the overall cost to the participant to about \$1,067 and the after-rebate cost to \$611 per participant. SoCal is concerned that the large group of "near poor" then would be unwilling or unable to participate. SoCal is further concerned about the effect of the "Big Six" requirement on the renter and the do-it-yourself markets. We note that under the present economic situation any program requiring an outlay of cash is suffering.

From the record in this proceeding it is quite clear that the installation of attic insulation is the most cost-effective conservation measure under consideration. To foster the installation while at the same time increasing the cost-effectiveness of the inspection program and removing much of the program-inhibiting restrictions of the "Big Six" requirement, ICA suggests as an acceptable alternative that a consumer be required to install attic insulation plus any two other measures in order to qualify for a rebate. Such an alternative rebate requirement appears reasonable and will be adopted.

We are concerned, however, that the requirement of ceiling insulation plus any other two "Big Six" measures may reduce the success of the program in the multifamily dwelling market because of the economics associated with such a requirement. Accordingly, any contractor who can demonstrate to SoCal's satisfaction that it is not economical to install attic insulation either because the multifamily unit has a flat roof, an inaccessible attic, beam ceilings, or which for other reasons would be uneconomical to insulate, will be excused from the requirement of ceiling insulation and may substitute another of the "Big Six" measures so that a total of three are installed in any event.

Because the transition date of March 31, 1983 is so close to this decision date, we will extend to June 1, 1983, the time in which single measures will qualify for rebates.

Master Meter Conversions

In D.88651 and D.88969 in Case (C.) 9988, our investigation into lifeline quantities of electricity and natural gas, the Commission mandated master meter conversion programs. In this application SoCal, in consultation with the Commission staff, proposed to include its master meter conversion program in WFCP rather than in the general rate case. In D.82-12-048 we rejected this proposal and stated:

" . . . 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." (Mimeo. page 6.)

SoCal notes that it is still under Commission order to have a master meter conversion program as indicated by the following:

"5. All respondent electric and gas utilities shall immediately initiate an extensive program or expand upon existing programs to encourage the separate metering of units in existing multi-unit residential facilities now served only through a master meter. Each respondent shall file within ninety days after the effective date of this order a comprehensive outline of their program. Thereafter, each respondent shall file semi-annually a report covering progress achieved and further actions proposed." (C.9988; D.88651, 83 PUC 589 at 607-608.)

SoCal requests the Commission to reverse its decision in this proceeding and authorize recovery of expenses for a master meter conversion program through the CCA.

In support of this position SoCal notes that it has been conducting its master meter conversion program as part of its multifamily energy conservation program for several years and that this program was merged into the WFCP at its inception in 1982. SoCal believes that the master meter conversion program is inextricably linked to its other multifamily conservation efforts and that separation of the efforts will reduce the effectiveness of the conservation program. We are not persuaded. These are two separate and distinct matters and should be treated separately.

We reiterate our position that the CCA should not be used as a funding source for programs which should have been included as a part of SoCal's rate case.

SoCal notes that despite the above-quoted language, D.82-12-048 approved the full CCA rate increase requested, including \$182,874 proposed for the master meter conversion program, and suggests that should we want SoCal to operate a program through general rate funding prior to 1985, we could order the reduction of CCA rates and the increase of general rates by this amount. We will not do so.

Our clear intention in D.82-12-048 was to exclude master meter conversion expenditures from the CCA. We reaffirm that intention today. However, it would serve no useful purpose to revise the CCA by less than 1% of its authorized level. We will require SoCal to account for the \$182,874 and any surplus or short-fall in the CCA at the time of SoCal's next annual review.

This is not the proceeding to address SoCal's ongoing responsibility regarding master meter conversion. We do note, however, that SoCal could file an advice letter proposing redirection of funds within the budget approved in SoCal's most recent general rate case.

Findings of Fact

1. With respect to conservation programs, a loan program differs from a rebate program and different parameters are warranted.

2. A requirement that a consumer must have in place attic insulation, weatherstripping, water heater blankets, low-flow showerheads, caulking, and duct wrap before becoming eligible for conservation rebates could result in a decrease in the number of conservation measures taken by SoCal's consumers.

3. A decrease in the number of participants in SoCal's conservation program could result in an increase in the cost per participant and thereby decrease the program's cost-effectiveness.

4. The installation of attic insulation is the most cost-effective conservation measure under consideration and its installation should be fostered.

5. The requirement of the installation of attic insulation plus any two of the other five of the "Big Six" conservation measures as a prerequisite to eligibility for WFCP rebates is reasonable and should be instituted.

6. The requirement of ceiling insulation plus any two "Big Six" measures may impact the success of the program in the multifamily market.

7. The master meter conversion program and WFCP are separate programs and should be treated separately.

8. The funding of the master meter conversion program is a matter for consideration in a general rate increase application rather than in a CCA application.

Conclusions of Law

1. D.82-12-048 should be modified as set forth in the ensuing order.

2. In all other respects the modifications requested by SoCal and ICA should be denied.

IT IS ORDERED that D.82-12-048 is modified as follows:

1. Finding of Fact 17 is amended to read:

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 June 1, 1983, after which time at least three items of the "Big Six" must be found installed to receive any rebates, and one of the three items must be R-19 attic insulation (R-11 attic insulation will be accepted if installed prior to 1978), except in the case of multifamily dwellings and then only if it can be demonstrated to SoCal's satisfaction that it is not economical to install ceiling insulation. In those cases, any three of the "Big Six" measures may be installed to qualify for rebates.

2. Ordering Paragraph 6 is amended to read:

6. SoCal is directed to include its master meter conversion program in its general rate case for test year 1985. Revenues from the Conservation Cost Adjustment shall not be used to fund master meter conversion activities.

3. In all other respects the petitions are denied.

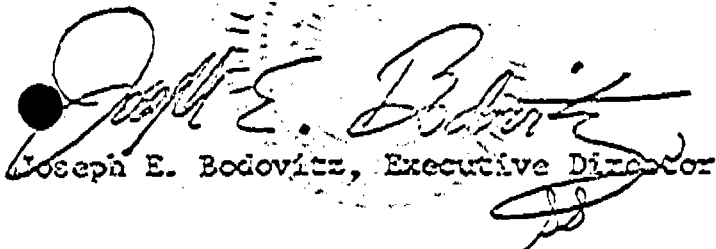
This order is effective today.

Dated March 16, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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

Commissioner Donald Vial present
but not participating.


Joseph E. Bodovitz, Executive Director

IT IS ORDERED that D.82-12-048 is modified as follows:
Finding of Fact 17 is amended to read:

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 June 1, 1983, after which time at least three items of the "Big Six" must be found installed to receive any rebates, and one of the three items must be R-19 attic insulation (R-11 attic insulation will be accepted if installed prior to 1978), except in the case of multifamily dwellings and then only if it can be demonstrated to SoCal's satisfaction that it is not economical to install ceiling insulation. In those cases, any three of the "Big Six" measures may be installed to qualify for rebates.

Ordering Paragraph 6 is amended to read:

6. SoCal is directed to include its master meter conversion program in its general rate case for test year 1985. Revenues from the Conservation Cost Adjustment shall not be used to fund master meter conversion activities.

For all other purposes the petition is denied. SS
This order is effective today.

Dated MAR 16 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

Commissioner DONALD VIAL

Present but not participating.