

ORIGINAL

Decision 83 05 043 JUN 15 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 PACIFIC GAS AND ELECTRIC COMPANY to
 Modify Decision 93891 to expand the
 ZIP eligibility guidelines to include
 residential facilities served as
 commercial accounts, to include
 common-use areas when financing
 lighting conversions in multi-unit
 dwellings, to approve revised credit
 establishment procedures and criteria
 for customers not reasonably covered
 under existing guidelines, and for an
 additional option for securing ZIP
 loans in excess of \$5000 to accept
 standby letters of credit.

Application 83-03-80
(Filed March 30, 1983)

O P I N I O N

By this application Pacific Gas and Electric Company (PG&E) proposes that the Zero Interest Program (ZIP) Decision (D.) 93891 dated December 30, 1981 be modified to provide that:

1. Residential multi-unit dwellings now receiving service as a commercial account be eligible for ZIP financing.
2. Common-use areas of multi-unit dwellings be included in ZIP financing eligibility.
3. Credit criteria for master-metered renters, out-of-state landlords, and new customers be revised.
4. PG&E be authorized to accept a standby letter of credit as a security mechanism for ZIP loans in excess of \$5,000.

Multi-Unit Dwellings

In support of the application PG&E states that there is a substantial demographic overlap between low-income target groups and renters in multi-unit dwellings. ZIP marketing efforts to these target groups established that they are residential in nature but are often classified as commercial accounts and hence are not eligible for ZIP financing. Accordingly, occupants of these dwellings are unable to enjoy the benefits of ZIP. PG&E states that when faced with a similar situation in the Demonstration Solar Financing Program (Order Instituting Investigation 42), eligibility guidelines for multi-unit dwellings were expanded to include all multi-family dwellings with three or more dwelling units all of which have minimum lease periods of not less than one month and are occupied essentially year round. This broadened definition made benefits of the solar program available to a wider range of residential customers.

Although this would make eligible a larger group of customers, no increase in program administrative costs is anticipated. Because of increased loan demand, there could be an increase in debt service cost.

Financing of Lighting Conversions for
Common-Use Areas in Multi-Family Dwellings

PG&E asserts that although designed to encourage conservation by renters and landlords through energy audits and ZIP loans, existing guidelines allow financing only for measures installed in individual dwelling units and not for common-use areas. Further, audits performed during 1981 and 1982 demonstrate the cost-effectiveness of lighting conversions in common-use area for multi-unit dwelling owners with the average payback well under two years.

Although only fluorescent lighting conversions have been financed through ZIP to date, PG&E requests that in certain applications conversions to other lighting technologies more efficient than incandescent lighting, such as sodium and mercury vapor, be approved.

PG&E points out that eligibility for common-use lighting conversions would be granted only if the installation of the Big Six measures is accomplished first. This requirement would be used as an incentive for the landlord to install these items. Installation of the Big Six measures would, in most cases, contribute considerably to the comfort of the tenants through reduced air infiltration and would reduce most utility bills.

All established ZIP requirements would continue to apply. The \$3,500 per unit loan limit would remain unchanged, the same cost-effectiveness method used for other measures would be employed, and total loan per dwelling limits would be retained.

Master-Metered Renters, Out-of-State Landlords, and New Customers

PG&E states that during the first phase of ZIP in 1981, it was discovered that exclusive reliance on customer credit records inadvertently excluded master-metered mobilehome customers. D.93891 dated December 30, 1981 revised credit standards requiring that master-metered mobilehome participants must:

- a. Have the mobilehome park owner act as a cosigner on the ZIP loan; or
- b. Agree to have a standard credit check performed.

It was subsequently found that standard credit checks were an unacceptable alternative to customer account records for two reasons: (1) this criterion may impose a barrier to target group participation and (2) the standard check does not make a qualitative assessment of the customer credit standing.

In lieu of the standard credit check for master-metered mobilehome customers, PG&E proposes (1) written verification from the mobilehome park owner that the ZIP applicant's rent has been paid, as agreed, for the prior 12 months and (2) in a submetered mobilehome park, written verification from the park owner that the cost of energy utilities also has been paid, as agreed, for the prior 12 months.

For landlords residing outside PG&E's service territory, PG&E requests authorization to accept written credit verification from another utility that ZIP credit criteria are met.

Security for ZIP Financing

D.93891 required PG&E to obtain a lien for all ZIP loans in excess of \$5,000. D.82-11-019 authorized the acceptance of three other types of security for loans in excess of \$5,000. PG&E requests a standby letter of credit as a fourth alternative. This instrument would be issued by a private financial institution providing an irrevocable guarantee of full payment in the event of default. The credit would be issued for the life of the loan, expiring upon full repayment.

The Commission's Energy Conservation Branch has reviewed the application and determined that PG&E's request is reasonable and would be consistent with program objectives.

Findings of Fact

1. To facilitate participation in ZIP by target group customers, it is reasonable to revise the financing criteria to allow ZIP loans for multi-unit dwellings served as commercial accounts.
2. Financing ZIP loans for certain dwellings served as commercial accounts will be cost-effective to participants, the utility, and society.
3. Residential multi-unit facilities which have a minimum lease period of not less than one month and are occupied at least nine months each year should be eligible for ZIP financing.
4. Lighting conversions for common-use areas in multi-family dwellings are usually cost-effective.
5. ZIP financing for common-use area lighting in multi-family dwellings will provide additional incentives for owners and landlords to install basic conservation measures, which will increase tenants' comfort and/or reduce utility bills.

6. ZIP financing should be available for common-use area lighting conversion if found cost-effective during a prior energy audit and if the Big Six measures are also installed.

7. The existing loan ceiling should continue to be applied in situations where ZIP financing is made available for common-use area lighting conversion.

8. For master-metered mobilehomes, it is reasonable to require the mobilehome park owners either to (1) cosign with the mobilehome owner or (2) give written verification that rent and/or utilities have been paid for the past 12 months.

9. For new customers or landlords residing outside of PG&E's service area, it is appropriate to accept written verification from another utility that the applicant meets the equivalent of PG&E's ZIP credit requirements.

10. For security for ZIP loans in excess of \$5,000, it is reasonable to accept (1) an assignment of rents, (2) a payment bond, (3) a 75% deposit of the outstanding loan, or (4) a standby letter of credit issued by a private financial institution on behalf of the lender.

Conclusion of Law

D.93891 should be modified to the extent set forth in the order below.

O R D E R

IT IS ORDERED that:

1. Ordering Paragraph 1.a. of D.93891 is modified to read as follows:

"a. Measures to be financed initially shall be the same as specified in D.92653, except that PG&E may also finance rigid polystyrene foam board insulation applied to the outside of a mobilehome roof up to a cost-

effectiveness limit of \$500, and lighting conversions in common-use areas of multi-unit dwelling facilities, including conversions to mercury vapor and high pressure sodium lighting, if recommended during an energy audit."

2. Ordering Paragraph 1.b. of D.93891 is modified to read as follows:

"b. Procedures and requirements shall be the same as stated in D.92653 except that:

"(1) Repayment of PG&E-provided loans will commence immediately after issuance; single-family home owners will repay such loans in equal installments over a 50-month period while all other participants will be allowed a 100-month payback period.

"(2) With respect to the installation of the 'Big 6' measures, a financing limit of \$1,000 per individual dwelling unit will be imposed; with respect to installation of the remaining measures, a financing limit of \$2,500 will be imposed.

"(3) Availability of utility-provided zero interest conservation financing for the 'Big 6' measures is conditioned upon installation of all the 'Big 6' measures, availability of utility-provided zero interest conservation financing for the remaining ZIP measures is conditioned upon installation of all the 'Big 6' measures.

"(4) PG&E shall be required to record a lien only for ZIP loans in excess of \$5,000. PG&E is authorized to accept as security for ZIP loans in excess of \$5,000 any one of the following:

- "(a) a lien;
- "(b) an assignment of rents;
- "(c) a payment bond;
- "(d) 75% deposit of the outstanding loan; or
- "(e) a standby letter of credit issued by a private financial institution on behalf of the lender.

"(5) Participants must have been PG&E customers for 12 months with no shutoff and no more than three 24-hour notices for nonpayment during that time.

"(6) Participants who fail to meet credit-worthiness standards can reapply and qualify for ZIP loans if they thereafter establish a payment record as a PG&E customer over an 11-month period which meets those standards.

"(7) ZIP loans for mobilehomes are authorized provided:

- "(a) They pass a preloan inspection to ensure that the dwelling is mounted on piers and equipped with skirting;
- "(b) Proof of ownership is provided; and

"(c) Loans are repaid in 50 equal installments.

"(8) For renter-occupied mobilehomes, the owner must agree to be cosigner for the ZIP loan.

"(9) For master-metered mobilehomes, participants must:

"(a) Have the mobilehome park owner act as a cosigner on the ZIP loan; or provide written verification from the park owner which states that the rent has been paid for the last 12 months, and

"(b) If the park is submetered, provide written verification from the park owner stating that the energy utilities have been paid for the last 12 months.

"(10) For individually metered mobilehomes, participants must meet the same standards of credit-worthiness as owners of single-family fixed dwellings.

"(11) All dwellings constructed and occupied prior to January 28, 1981, will be eligible to qualify for ZIP loans.

"(12) Residential multi-family facilities, including those served by commercial accounts, in which the units have a minimum lease period of not less than one month and which are occupied at least nine months each year, shall be eligible for ZIP financing.

"(13) A new PG&E customer or landlord residing outside of the PG&E service territory must provide written verification from another utility stating that he or she had been a customer of record for at least 12 months within the last 24 months, with the equivalent of no shutoffs, and/or no more than three 48-hour notices for nonpayment within the last 12 months of service."

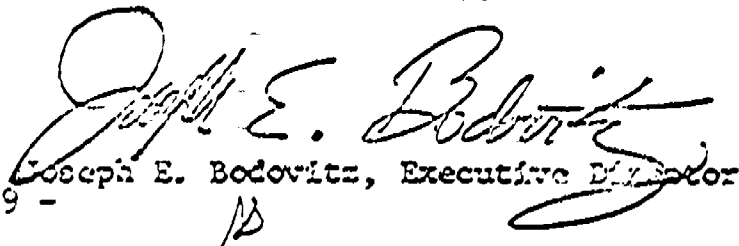
This order becomes effective 30 days from today.

Dated JUN 15 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

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


Joseph E. Bodovitz, Executive Director