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Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 the SOUTHERN CALIFORNIA EDISON)
 COMPANY for an Ex Parte Order)
 Authorizing Rates Pursuant to its)
 Conservation Load Management)
 Adjustment Clause (CLMAC), to be)
 Made Effective for Electric Service)
 Rendered on and After January 1,)
 1983, to Recover Solar Rebate)
 Demonstration Program Expenses.)

Application 82-12-07
(Filed December 2, 1982)

Frank J. Cooley, and Donald M. Clary, Attorney
 at Law, for applicant.
Edward W. O'Neill, Attorney at Law, and
Mahendra Jhala, for the Commission staff.

O P I N I O N

By this application Southern California Edison Company (Edison) seeks authority to increase its electric rates to offset expenses estimated to be incurred during the 1983 calendar year for the third and final year of its Demonstration Retrofit Solar Water Heating Financing Plan (Solar Program) and to amortize the estimated balance in the Conservation Load Management Adjustment Account (Balancing Account) as of December 31, 1982. The adjustments would be made consistent with the Conservation Load Management Adjustment Clause (CLMAC) procedure now in Edison's tariffs.

Edison proposes to change its Conservation Load Management Adjustment Billing Factor (CLMABF) for different types of service as follows:

	<u>From</u>	<u>To</u>
Lifeline Domestic Service CLMABF	.001¢/kWh	.002¢/kWh
Nonlifeline Domestic Service CLMABF	.001¢/kWh	.002¢/kWh
Other than Domestic Service CLMABF	.001¢/kWh	.002¢/kWh

It estimates that the request would produce an increase in annual revenues of approximately \$541,000 for the twelve-month period beginning January 1, 1983.

Edison also requests that expenses incurred in 1982 for the Solar Program be found reasonable and that a lump-sum payback of outstanding incentives be approved.

Background

On April 6, 1979 we issued Order Instituting Investigation 42 to determine the feasibility of establishing various methods of providing low-interest, long-term financing of solar energy systems for utility customers. By Decision (D.) 91272 dated January 29, 1980 Edison and other privately owned utilities were ordered to develop financing programs for solar water heating systems.

By D.92251 dated September 16, 1980 Edison was ordered to implement a demonstration solar financing plan to reach 26,000 of its electric water heating customers within three years. D.92853 dated April 1, 1981 authorized Edison to increase rates by \$2,417,000 to cover first year Solar Program operating costs. By D.82-08-011 dated August 4, 1982 Edison's offset rate for its solar rebate program was reduced from .004¢/kWh to .001¢/kWh due to lower customer participation than was predicted. That decision found 1981 program expenditures reasonable but disallowed \$111,000 in administrative expenses.

On September 2, 1982 Edison filed an application for rehearing of D.82-08-011 asking (1) termination of the solar rebate program because of inefficiency, (2) reconsideration of the \$111,000

disallowance, (3) modification of the program to permit Santa Catalina customers to participate, (4) modification of the order to allow inclusion of franchise fees and uncollectibles in the CLMABF, and (5) clarification of low-income requirements. The application for rehearing stated Edison would never be able to attain the 26,000-installation goal or the \$222 administrative cost-per-installation benchmark. By D.82-10-068 dated October 20, 1982 we denied the application for rehearing, authorized \$216,000 for the 1982 low-income program, recommended that Santa Catalina customers be included in the Solar Program, and clarified the franchise and uncollectible accounts questions.

The staff reviewed this application and issued a report with recommendations on April 22, 1983. The staff noted that the \$541,000 requested increase would cover increased 1983 costs for the requested lump-sum payback of remaining rebate debts, administrative expenses, evaluation and monitoring of meter installation, and the low-income program. The staff recommended disallowance of \$257,948 for 1982 administrative expenses and a reduction of \$51,480 for 1983 administrative expenses. Staff also recommended denial of Edison's request for a lump-sum payoff of remaining rebate debts, and a resulting reduction in 1983 customer incentive costs of \$952,520. It also recommended eliminating the present .001¢/kWh CLMABF solar offset rate. The elimination and recommended disallowances would result in an estimated Balancing Account overcollection as of December 21, 1983 of \$242,421. The Revenue Requirements Division did not have sufficient time or staff to audit the Balancing Account to confirm or modify this estimated balance.

Upon learning of the staff's recommendation, Edison requested a hearing on the application. Hearing was held July 11, 1983 in San Francisco. The evidence adduced by applicant and staff showed the following.

Program Expenses for 1982

In 1982 Edison expended \$1,143,000 in carrying out its solar rebate program. This included \$475,000 in customer rebates. Actual administrative costs were \$635,000, down from \$799,000 in 1981. Edison spent more than \$1.33 in administrative costs for every \$1 in rebates paid out, down from \$6.34 for 1981.

Administrative costs for the 1,001 solar systems installed and approved in 1982 equalled \$634 per installation, down slightly from the \$659 found to be reasonable for the 1,028 solar systems installed in 1981.

Edison asserts it made program modifications to reduce administrative costs. It states staff labor was reduced in 1982 due to increased operating efficiency and completion of most program start-up activities. For example, by September 1982 the number of permanent staff members assigned to the solar rebate program was reduced to 3.5 where it is to remain for 1983. Similarly, early in 1982, seven field representative throughout Edison's service area were spending almost 100% of their time on the solar rebate program, but by August less than 10% of their time was allocated to program activities.

With these and other improvements in administering the program, Edison states that its actions and expenditures during 1982 were reasonable and responsive to the Commission's solar goals.

Edison states it has unique constraints in effectively promoting retrofit solar systems. First, its market represents less than 5% of all residential single-family water heating systems and second, the 5% market is spread over a 50,000 square mile service area.

Program Budget for 1983

During 1983 Edison states its solar program activities will include: (1) continuing to provide support to the solar industry in its marketing efforts, providing zip-code and street-name listings,

and communicating with potential customers, utilizing brochures and billing inserts, (2) developing and implementing a last-chance promotional campaign, tied to solar contractor advertising and discounts, designed to increase electric water-heater customer participation during the last year of the program, (3) installing 60 submetered systems and responding to other data request requirements of the Commission-directed solar program evaluation and monitoring effort, (4) continuing to improve program efficiency and reducing administrative costs by monitoring and controlling expenses, (5) installing approximately 228 solar systems to meet its 1982-83 low-income program commitment, (6) encouraging the addition of 900 qualified systems to the program which, when added to the low-income systems, would bring the program total to 3,200 systems by the end of 1983, and (7) preparing for the orderly termination of the program.

Edison's forecasted expenses for 1983 of \$2,384,700 includes \$952,520 for its lump-sum payment proposal. The staff's recommended expenses of \$1,518,944, stipulated with Edison as described below, excludes the lump-sum payment proposal but includes small increases in hardware/submetering and the low-income program.

Discussion

On July 1, 1983 Edison filed additional testimony and documents supporting the reasonableness of expenditures incurred in 1982 and those projected for 1983 (Exhibits 3-5). After filing this material Edison met with the staff at which time the differences were resolved and a compromise reached on 1982 expenditures and the requested 1983 expenditures.

By stipulation with the staff Edison agreed it would not press for the lump-sum payback included in its 1983 budget or contest \$110,000 of the staff's recommended disallowances of 1982 program expenditures. Edison also agreed to accept the staff's recommended 1983 expenses for metering and the low-income program, and the recommended CLMABF offset rate reduction of .001¢/kWh. The staff agreed to withdraw its recommendation to disallow \$148,000 in 1982 expenses and to reduce Edison's 1983 program labor budget by \$52,000.

The program expenses stipulated to are as follows:

TABLE I*

SOUTHERN CALIFORNIA EDISON COMPANY

OII 42
A.82-12-07

Table of Program Expenses for 1982 and 1983

<u>Program Expense Items</u>	1982 Edison Recorded Expenses	1982 ECB Recommended Expenses	1983 Edison Requested Expenses	1983 ECB Recommended Expenses
Customer Incentives	\$ 475,000	\$ 475,000	\$1,531,400	\$ 578,880
<u>Administrative</u>				
Staff Labor	200,000	187,107	168,600	168,228
Field Labor	182,000	115,375	59,000	59,000
Training	6,000	6,000	0	0
Communications	19,000	19,000	64,000	64,000
Data Processing	145,000	114,000	49,500	49,500
Vehicles	2,000	2,000	2,000	2,000
Contracted Inspections	<u>81,000</u>	<u>81,000</u>	<u>82,500</u>	<u>82,500</u>
Subtotal	635,000	524,482	425,600	425,228
<u>Evaluation</u>				
Contracted Consultants	17,600	17,600	31,000	31,000
Hardware/Submetering	8,000	8,000	12,000	33,000
Advisory Committee	1,400	1,400	1,400	1,400
Research Analysis	<u>1,000</u>	<u>1,000</u>	<u>2,000</u>	<u>2,000</u>
Subtotal	28,000	28,000	46,400	67,400
Total Non-low Income	1,138,000	1,027,482	2,003,400	1,071,508
Low Income	5,000	5,000	381,300	447,436
Total Program Expense	1,143,000	1,032,482	2,384,700	1,518,944

* Revised July 7, 1983.

Edison's CLMAC balancing account as of December 31, 1982 showed an overcollection of \$1,134,000. Acceptance of the staff's stipulated program expenses and recommended CLMABF rate reduction would result in a negative estimated Balancing Account balance as of December 31, 1983 of \$19,590 calculated as follows:

TABLE II*

SOUTHERN CALIFORNIA EDISON COMPANY

OII 42
A.82-12-07ECB Staff-Recommended Solar Offset Rates for 1983

<u>Line</u>		
1	ECB-Recommended 1983 Expenditures	\$1,518,944
2	Edison-Estimated Balancing Account Over-collection as of 12/31/82	1,134,000
3	ECB Staff-Recommended Disallowances for 1982	110,518
4	Sum of (1)-(2)-(3)	274,426
5	Rate for Franchise Factors and Uncollectibles	1.0125% ^{1/}
6	Franchise and Uncollectible Amounts (4)x(5)	2,779
7	Current Rate (from D.82-08-011 Effective 8/4/82)	.001¢/kWh
8	Estimated Affected Sales: 1/83-6/83 and 7/83-12/83	29,679.5MMkWh ^{1/2/}
9	Estimated Revenue 1/83-6/83 (7)x(8)	296,795
10	Total Recommended Revenue (4)+(6)-(9)	(19,590) ^{3/}
11	New Rate Recommended (10)÷(8) but not less than zero	0
12	Rate change Recommended (11)-(7)	(.001) ^{3/}
13	Estimated Revenue 7/83-12/83 (8)x(11)	0
14	Estimated Balancing Account Balance 12/31/83 (13)+(10)	(19,590) ^{3/}

^{1/} From D.82-12-055, Edison General Rate Decision for Test Year 1983, adopted December 13, 1982.

^{2/} Sales for 1983 divided by 2 to approximate sales for each half of the year, based on an estimated decision effective date of July 1, 1983.

^{3/} Bracketed amounts represent negative amounts or undercollections.

* Revised July 7, 1983.

During 1982 some 1,001 installations were approved for rebate. Total administrative expenditures was \$635,000 making the administrative cost \$634 per unit. This amount is still extremely high compared to the \$222 ceiling we originally established. It is, however, a marked improvement over the \$777 per unit expended in 1981. We agree with the staff that strict adherence to the \$222 would severely and unjustly punish Edison. The proposed disallowance of \$111,000 is reasonable in light of these comparisons.

In D.82-08-011 we put Edison on notice that its 1982 program expenses would be carefully scrutinized and that it should be ready to justify all questioned expenditures. The staff made thorough analysis of the application (Exhibit 6) and recommended several disallowances, as discussed previously. Later, as a result of additional Edison testimony filed on July 1, 1983 and after a meeting with Edison on July 5, staff agreed to a stipulated compromise which was presented at the hearings on July 11.

We admonish Edison for producing new information late in this proceeding. Edison should have provided staff with complete and reliable data regarding its solar program before the staff analysis was prepared.

Due to the lateness of the additional information, staff appears to have accepted it without thorough examination. At the least, any results of such examination were not entered into the record for our consideration in this decision.

We will adopt the stipulated agreement, though we are concerned that staff testimony to support this agreement was not developed. We are convinced that the revisions agreed to by staff are more reasonable than the staff's original showing and should be adopted. In the future, however, the Commission should be furnished with more complete information supporting the solution of issues.

Findings of Fact

1. In 1982, 1,001 solar installations were approved for rebate in Edison's solar rebate program.

2. Edison expended \$635,000 in administrative cost in 1982 equivalent to a cost per unit of \$634.

3. The \$634 administrative cost per unit is less than the \$669 per unit cost approved in 1981 but still exceeds the \$222 benchmark set in D.92853.

4. \$111,000 of staff labor, field labor, and data processing expense for 1982 should be disallowed as recommended by the staff.

5. Apart from the \$111,000 disallowance, all other 1982 solar rebate program expenditures incurred by Edison were prudent and reasonable.

6. The staff's recommended 1983 expenses, including the disallowance of Edison's lump-sum repayment plan, are reasonable and should be adopted.

7. Staff's recommended decrease of .001¢/kWh for Edison's CLMABF solar offset rate is reasonable in order to reduce the balancing account to a near-zero balance at the scheduled termination of the program, and should be adopted.

8. Edison's 1983 solar rebate program expenditures will be reviewed in the next application proceeding reviewing Edison's solar program.

9. Revenue Requirements Division staff did not audit Edison's 1982 balancing account entries. Edison's year-end 1982 balancing account balance is not ratified or adopted by this order.

10. Since Edison's solar 1983 program is under way, this order should be effective on the date of signature.

Conclusions of Law

1. The decrease in rates and charges authorized by this decision is just and reasonable; the present rates and charges, insofar as they differ from those ordered in this decision, are for the future unjust and unreasonable.

2. Solar rebate expenses incurred in 1983 shall be subject to review for reasonableness at the next revision date of January 1, 1984. Edison should file an application showing 1983 expenses and anticipated 1984 program expenses by December 12, 1983.

3. Solar balancing account entries incurred in 1982 will be subject to audit by the staff of the Revenue Requirements Division at the next revision date of January 1, 1984.

4. Edison bears the burden of proof in our offset proceedings to explain and show the reasonableness of all incurred expenses; failure to meet this burden of proof will result in disallowance of the unjustified expense.

5. Edison should be permitted to change its CLMAC rate as set forth in the following order.

O R D E R

IT IS ORDERED that:

1. \$111,000 in 1982 solar rebate program expenses is disallowed and shall not be recovered by Southern California Edison Company (Edison). Edison shall make an appropriate adjustment or credit to the Conservation Load Management Adjustment Clause balancing account.

2. On or after the effective date of this order, Edison shall file with this Commission, in conformance with the provisions of General Order 96-A, revised tariff schedules showing a Conservation Load Management Adjustment Clause rate of 0.0¢/kWh. ✓

3. The revised tariff schedules shall be effective not less than five days after filing.

4. Edison shall file by December 12, 1983 an application showing 1983 solar rebate expenses and anticipated 1984 program expenses.

This order is effective today.

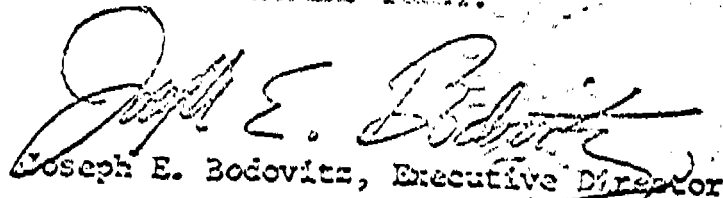
Dated November 22, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. GREW
WILLIAM T. BAGLEY
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.

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


Joseph E. Bodovitz, Executive Director

2. Edison expended \$635,000 in administrative cost in 1982 equivalent to a cost per unit of \$634.

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Dated NOV 22 1983, at San Francisco, California.

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WILLIAM T. BAGLEY
Commissioners

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