

ALJ/BEB/SR/WPSC/jc

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of SOUTHERN CALIFORNIA EDISON)
COMPANY for an Ex-Parte Order)
Approving a Residential Conser-)
vation Service Program Contract)
Between Edison, SOUTHERN CALIFOR-)
NIA GAS COMPANY, and the City of)
of Santa Monica.)

Application 83-08-08
(Filed August 1, 1983;
amended August 13, 1983)

In the matter of the Application)
of SOUTHERN CALIFORNIA GAS COMPANY)
for a Residential Conservation)
Services (RCS) Program in the)
City of Santa Monica.)

Application 83-08-33
(Filed August 13, 1983)

O P I N I O NBackground

The Residential Conservation Services (RCS) Program is an energy conservation program established under federal law and mandated for implementation by each of the states. The State Energy Resources Conservation and Development Commission (CEC) was designated by the Governor as the lead agency for the program in California. In its role as the lead agency, the CEC established the State Plan which requires utilities to implement RCS services in California. Southern California Gas Company (SoCal) and Southern California Edison Company (Edison) are subject to the provisions of the State Plan which provide that utilities with

overlapping service territories may enter into agreements to share RCS services and may contract with a third-party for all or a portion of RCS services. Section XI-B-3 of the State Plan provides:

"Participating utilities shall contract with local community-based groups or local governments to provide or aid in providing programs or services offered by the utility under this Plan. Utilities should take an active role in seeking out and utilizing local government and community resources. Circumstances under which these resources should be used include ... where local governments and community groups can provide services at a level of training and expertise comparable with utility capability."

Pursuant to this directive, SoCal and Edison have entered into a third-party agreement (Agreement) with the City of Santa Monica (Santa Monica) to establish the Santa Monica Residential Conservation Program (Program).

Under the program, Santa Monica will offer free RCS audits of all residences in Santa Monica and install, free of charge to the resident, up to five energy saving conservation measures. Santa Monica is to be reimbursed for the audits performed with Edison and SoCal sharing the cost. Santa Monica would also be reimbursed for the cost of each measure installed as scheduled in the Agreement.

As a condition precedent to implementation of the Agreement, SoCal and Edison must receive regulatory approvals satisfactory in form and substance to SoCal and Edison. The Agreement also requires a specific finding and conclusion that the program complies with Chapter XIV of the State Plan and that any anticompetitive effects are outweighed by the public interest to be served.

On November 30, 1982, SoCal Gas and Edison filed a joint petition requesting that the CEC review the proposed program. The two utilities requested a decision based on a record developed in a public hearing at which interested parties could present testimony under oath, and be cross-examined on the anticompetitive effects, if any, to be anticipated from the implementation of the Program. The joint petition states that in the event the parties to the Agreement were the object of a suit alleging anticompetitive practices, they would seek to establish a "state action" defense. An essential element of the state action defense is a finding in advance of implementation of the activity in question by a body of competent jurisdiction as to any anticompetitive effects to be anticipated therefrom and whether the need for the activity outweighs such potential anticompetitive effects.

The CEC conducted a noticed Prehearing Conference on Tuesday, December 14, 1982, in Santa Monica. The purpose of the conference was to receive comments from interested parties on the number and scope of issues which the CEC should examine at the hearing. Prior to the Prehearing Conference, SoCal Gas submitted a Prehearing Brief, joined in by Edison, which discussed the legal issues involved in the proceeding. At the conference, presentations were made by SoCal, SCE, the City, CEC staff, Electronic and Energy Engineering and Solar Technology, Inc. Upon consideration of their comments, the CEC published a Hearing Order setting forth the following issues for hearing.

- "1. Does the Santa Monica RCS program comply with Chapter XIV of the State Plan?
- "2. Does the installation of energy conservation measures at no charge during an energy audit as contemplated by the Program have an anti-competitive effect on a relevant market?
- "3. Is there a clearly articulated, affirmatively expressed, important public interest served by the program which outweighs any anti-competitive effects found to be caused by the installation of energy conservation measures at no charge during an energy audit as contemplated by the Program?
- "4. Will the State regulatory agencies actively monitor and supervise the Program's progress?

A duly noticed CEC hearing was held January 4 and 5, 1983 in Santa Monica, where public comments and sworn testimony were received from SoCal, Edison, Santa Monica, suppliers, contractors, community groups, and apartment owners.

A CEC Briefing Order of January 13, 1983 called for concurrent briefs to be filed February 25, 1983. On February 7, 1983, the City petitioned for and was granted an extension of the brief filing date. Concurrent briefs were filed by the City, Edison, SoCal Gas, the CEC staff, and other interested parties on March 7, 1983.

On June 13, 1983, the CEC served all parties with a Proposed Decision and a Notice of Hearing on Commission Proposed Decision, to be held June 29, 1983, in Sacramento. On June 29, 1983, the CEC issued its Decision, approving the Agreement. (See Commission Decision, Docket No. 82-RCS-1.) In particular, the CEC determined that:

1. The Santa Monica program complies with all provisions of Chapter XIV of the State Plan.
2. The extent to which the program may have anticompetitive effects on markets for the sale and installation of energy conservation devices in Santa Monica will be minimized to an acceptable level by the structure of the program. Any remaining anticompetitive effects as a result of the program are reasonable and no less anticompetitive alternative to the program and is likely to achieve the same high degree of penetration.

3. It is the policy of this state to strongly encourage utilities to contract with local governments, local businesses, and community groups to provide residential conservation services at comparable levels to utility programs, at lower costs, and at greater penetration rates. The public policy goal of maximizing conservation outweighs the potential for anticompetitive effects of the program.
4. The CEC will actively monitor and supervise the progress of the Santa Monica program.

The subject applications seek approval of the Agreement by this Commission. On October 7, 1983 our Commission staff served its report and analysis of the two applications on all parties on the CEC proceeding service list. Comments on the report were to be received by October 21, 1983. No comments were received.

SoCal

SoCal seeks a review of Santa Monica's program and a Commission decision:

- "(1) Modifying D.83-03-039 to permit the Santa Monica Program to proceed without the requirement that three of the "Big 6" measures, including attic insulation where economical, be installed;
- "(2) Adopting the Findings of Fact and Conclusions of Law specified herein, which were contained in the CEC's June 29, 1983 Decision in Docket No. 82-RCS-1, based on the record developed in that proceeding;
- "(3) Finding that any potential anticompetitive effects of the Program are outweighed by the public interest to be served by the Program;

- "(4) Finding that the Program complies with the State Plan, with State conservation policies, and with the Commission's conservation policies;
- "(5) Finding that reasonable expenses prudently incurred by SoCal Gas for the purpose of reimbursing the City for City audits and demonstrated practice that are performed or provided by the City under this Program are incurred in the public interest and are allowable for ratemaking purposes and shall be recovered through the CCA balancing account; and
- "(6) Stating that the Commission will actively monitor the Program."

SoCal states that modification of D.83-03-039 is necessary for it to participate in the Santa Monica program. It points out that Santa Monica's RCS program does not comply with the requirements imposed by D.83-03-039 because no attic insulation would be installed and only two of the basic "Big 6" items (low flow showerheads and water heater blankets) are involved.

SoCal states modification is justified because (1) the program is a pilot program intended to test an alternate method of delivering RCS services in a difficult-to-penetrate market, (2) the program is an experiment to compare Santa Monica's approach to energy audits with that of the utility, (3) the program is not a weatherization program and should not be viewed as such, (4) should Santa Monica achieve the expected market penetration, major energy savings will accrue, (5) audit teams will encourage residents to

conserve energy and will install door sweeps and faucet aerators when installations of low flow shower heads and water heater blankets are not feasible, and (6) SoCal provides cash rebates for certain "Big 6" measures through its Weatherization Financing Credits Program (WFCP) program so additional measures beyond those installed by Santa Monica can be expected.

Edison

Edison requests an ex parte decision that (1) concurs with the findings and conclusions contained in the CEC decision concerning the potential anticompetitive effects of the program, (2) authorizes recovery of all expenses incurred under the agreement through its Conservation Load Management Adjustment Clause (CLMAC), (3) approves the agreement between Santa Monica, Edison, and SoCal, and (4) orders the program carried out consistent with the terms of the agreement.

The Agreement

Under the terms of the Agreement, Santa Monica will offer to perform RCS audits and install specific measures in all households within its boundaries free of charge. The utilities are to reimburse the City \$90 for each audit performed, for up to 15,000 audits, plus the cost of the installed measures. The utilities are

also to monitor the program. The Agreement is for a period of 14 months which can be extended provided all parties agree and regulatory approval is obtained.

Significant details of the agreement are that energy auditors will be hired by Santa Monica and certified by the CEC. The auditors will go door to door offering City households RCS audits. They will install free of charge low-flow shower heads, water heater blankets and up to ten feet of water pipe insulation. If none of the foregoing measures can be installed, the auditors will substitute doorsweep weatherstripping or a maximum of two faucet aerators.

SoCal and Edison will pay \$45, or one-half the \$90 paid to Santa Monica, for each audit. The \$90 audit cost is Santa Monica's actual cost to operate the program plus an estimated shortfall of the reimbursement for installed measures.

For the installed measures, Santa Monica would receive different amounts from the two utilities. SoCal would reimburse the City according to the current utility credit value allowed under its WFCP program for water heater insulation, low-flow

showheads or water pipe insulation. Where doorsweep weatherstripping or faucet aerators are installed, reimbursement will be based on estimates made by Santa Monica in A.61067.^{2/}

Edison would reimburse Santa Monica for installed measures in each dwelling unit with an electric water heater under the following schedule:

	<u>Single Family</u>	<u>Multi-Family</u>
Water Heater Insulation	\$ 8.00	\$ 7.00
Low-Flow Showerhead	6.00	6.00
Water Pipe Insulation	9.00	9.00
Doorsweep Weatherstripping	10.00	10.00
Faucet Aerator	3.00	3.00

Santa Monica would have 30 days after the end of each calendar month to submit its invoices. Unless invoice corrections are required, the two utilities would have 30 days after receipt to make payments.

The utilities would have the right to use their auditors to inspect Santa Monica's records relating to (1) customer responses to the question of whether or not the person has had a prior audit or participated in other conservation programs, (2) all audit invoices, and (3) records relating to performance.

^{2/} D.82-11-086 dated November 17, 1982 in A.61067 authorized Edison to implement an RCS program throughout its service territory in which Santa Monica participated and presented cost figures.

After the program has been in operation for five months, and every three months thereafter, Santa Monica will be required to report to the utilities on the status of the audits performed and the number of measures installed. With 30 days' written notice the agreement could be terminated should (1) the City fail to meet performance projections, (2) the utility RCS or other conservation programs be cancelled or funding reduced or (3) City funding is cancelled or reduced.

The indemnity provisions of the agreement provides:

"City shall indemnify and hold harmless Edison and SoCal Gas and their officers, agents, employees, assigns, and successors in interest from and against any and all liability, damages, costs, losses, claims, demands, actions, causes of action, attorney's fees (including fees paid to outside counsel selected by Edison and/or SoCal Gas), and expenses, or any of them, howsoever caused, resulting directly or indirectly from or connected with the performance of City Audits or supply or installation of Installed Measures or Demonstrated Practice by City pursuant to this Agreement, or any failure on the part of the City to fulfill its obligations hereunder, including performance of City Audits or supply or installation of Installed Measures or Demonstrated Practice by City or any Subcontractor (including, but not limited to, such liability, damages, costs, losses, claims, demands, actions, causes of action, attorney's fees or expenses arising from the death or injury to an agent or employee of City, or Sub-contractors, or City Customers, or damage to the property of City, Subcontractors, or of any employee of City or Subcontractors or City Customers); except where such liability, damages, costs, losses, claims, demands, actions, causes of action, attorney's fees or expenses are caused by

the acts of either Edison or SoCal Gas or any of their agents or employees; provided however, that in the event that attorneys' fees are incurred by Edison and/or SoCal Gas resulting directly or indirectly from or connected with any claim, demand, action or proceeding alleging a violation of the California and/or United States antitrust laws, then Edison and/or SoCal Gas hereby agrees to make request to the CPUC to permit recovery of such attorneys' fees from its and/or their ratepayers and if such request is denied in whole or in part by the CPUC for any reason whatsoever or if the CPUC fails to take action upon said request within six months from the date of the request, City shall promptly indemnify Edison and/or SoCal Gas for such attorneys' fees which have been denied. In the event that the CPUC subsequently acts to permit recovery of such attorneys' fees from ratepayers, City shall be reimbursed to the extent of any amounts received from rates in respect of such attorneys' fees. The indemnity provided under this Section 18 is not intended to inure to the benefit of any third part except when this Agreement is assigned as provided in Section 23 herein."

Commission Staff

The Commission staff monitored the CEC proceeding, reviewed the subject applications and issued a report with its recommendations. The report was served on all parties on the CEC service list and comments were solicited. No comments were received.

The staff supports the utility requests for ex-parte treatment of the applications stating that the agreement complies with the State Plan, the state's conservation program and this Commission's conservation objectives. The staff points out that

it is unlikely that there will be any anticompetitive effects due to implementation of the program and that any potential anti-competitive effects are outweighed by the public interest.

The staff agrees that the utilities should recover reasonable expenses prudently incurred in reimbursing Santa Monica for audits performed and conservation measures installed provided they are incurred in the public interest and are allowable for ratemaking purposes recoverable through the CCA and CLMAC balancing accounts. Staff, however, recommends that we authorize the utilities to spend jointly no more than \$100 per audit including all utility in-house administrative expense but excluding hardware and material costs. The staff points out that a \$100 per audit limit was imposed on SoCal in D.82-12-106, and a similar limit should be applied to audit costs under the Santa Monica program.

The staff believes the utilities should be ordered to carry out the terms of the agreement and that any increase in the reimbursement to the City for audit costs should terminate the program.

Finally, the staff recommends that the Commission monitor the program and that to enable such monitoring, the following data should be forwarded to the Commission staff, (1) all memorandums of change in the scope or addenda to the agreement, (2) the results of any internal audits of the City performed by the utilities, (3) reports to the CEC, (4) any evaluations performed by the utilities, and (5) monthly invoices. The program evaluation should contain an assessment of the programs in reaching the low-income renters, renters in general and the elderly.

Discussion

In prior decisions authorizing SoCal and Edison to implement their RCS programs, we explicitly directed both utilities to seek out and utilize local governments and community resources to provide RCS audits. With respect to SoCal, in D.82-05-043, we stated:

"We believe that it is likewise appropriate for SoCal to enter into contracts with outside groups, whether they be government agencies, community groups or private firms, to provide RCS audits. Such contracts are desirable under the circumstances permitted by the CEC's Cal Plan or as otherwise approved by the CEC, but only where they result in no greater expenditure than SoCal would have incurred to achieve the same estimated conservation through its own RCS and WFCP efforts. Thus SoCal should take

an active role in seeking out and utilizing local government and community resources. Circumstances under which these resources should be used include:

- a. Where local governments and community groups have direct access to a portion of the population (linguistic, cultural, community) not easily reached by the utility.
- b. Where local governments and community groups can provide services at a level of training and expertise comparable with utility capability.

Moreover, we expect SoCal to be prudent in its expenditures on such activities."

Several months later, in D.82-11-086, we reaffirmed our policy statement in the SoCal decision and extended it to cover Edison's RCS program. Indeed, we indicated at that time that the Santa Monica program was the type of cooperative effort encouraged by this Commission. We stated:

"The record indicates that the City proposal, if effectively implemented, would produce additional savings beyond those anticipated by a SCE audit because of reduced costs and the direct application of energy-saving devices. As such, this proposal demonstrates that local governments, or other locally based groups may be able to perform RCS services in a manner which increases ratepayer savings. To be certain, additional savings should occur if local governments, community groups or private firms offer to provide RCS audits at lower cost than the utility. Therefore, we reaffirm for the purposes of SCE the above policy statement as set forth in the cited SoCal decision."

Reduced to their essence, the applications now before us request that we (1) authorize SoCal and Edison to carry out the Agreement entered into with Santa Monica, (2) assure the utilities' recovery of all expenses prudently incurred in implementing the Santa Monica program and (3) concur in the CEC's assessment of the potential anticompetitive effects of the Santa Monica program. SoCal further requests that we waive a requirement in its WFCP program in order to implement the Agreement.

After a review of the applications, staff report, and CEC's decision on this matter, we believe that SoCal and Edison should be authorized to proceed with the Santa Monica program. As we have stated before, this program is the type of cooperative effort we instructed the companies to seek out and develop.

Based on the information presented in this proceeding, it appears that the Santa Monica program will benefit ratepayers by enhancing the effectiveness of the utilities' RCS programs. In addition to providing residential customers with information about the cost effectiveness of various conservation measures, Santa Monica will directly install several conservation devices as part of the RCS audit. Clearly, these devices will result in energy savings over and above those which may result from the RCS audit

alone. Also, the door-to-door approach proposed by Santa Monica is likely to result in a higher rate of customer participation in RCS. Furthermore, we agree with SoCal that the Santa Monica program is a pilot program which is intended to test an alternate method of delivering RCS services. Allowing this experiment to proceed will enable the utilities, CEC, and this Commission to compare this approach with existing utility audit efforts.

Even though this a pilot program, to ensure that benefits will be obtained at no greater expenditure than the utilities would have incurred to achieve the same conservation through their own efforts, we will adopt the staff's recommendation and extend the \$100 per audit limit established in D.82-12-106 to the Santa Monica program. This limit is exclusive of hardware and material costs and inclusive of all in-house administrative expenses incurred by the utilities. Even at the \$100 limit, Santa Monica audits would cost less than recent utility audits involving no direct installation. For example, SoCal has reported that as of June 1983, its costs of providing a RCS audit was \$131. Edison has reported costs of \$112 per audit for this same period.

Apart from the \$100 limit, SoCal and Edison are authorized to recover all reasonable expenses which are prudently incurred for the purpose of carrying out the Santa Monica program provided in the Agreement. These expenses will be recovered

through the CCA for SoCal and CLMAC for Edison, they will be reviewed for reasonableness along with other expenses at the time of the utilities' annual offset applications for these balancing accounts.

With respect to the anticompetitive effects of implementation of the Santa Monica program, we note that the CEC has examined this issue at great length in its Chapter XIV hearings. After reviewing the impact of the program on local installers of conservation measures, local suppliers of such measures, community groups, and apartment owners, the CEC concluded:

"The Santa Monica Program's potential for having anticompetitive impacts on the relevant market are, in most cases, mitigated by various direct or indirect business stimuli contained in the Program. All work through the Program will be sub-contracted by the City to private contractors and suppliers. To the extent that potential anticompetitive impacts remain, they are reasonable when compared to the overriding public policies served by the Program."

The CEC further stated:

"As stated above the statements of policy found in NECPA, California State law, the State RCS plan and recent CPUC decisions clearly articulate a strong public policy in favor of energy conservation achieved through utilities contracting with local governments, local businesses, and community

organizations to provide widespread penetration of residential conservation services. The record shows that the Santa Monica Program is designed to meet these policy goals and to conserve energy for a large percentage of Santa Monica residents. In particular, the program is likely to assist groups which are not normally reached by conservation programs, such as tenants and low-income residents. The program is designed to be less expensive than utility audits and provide comparable or higher levels of service. In addition, it is responsive to the objectives of the CEC and CPUC in encouraging local governments to provide energy conservation services."

We concur in this assessment. The anticompetitive effects, if any, of the Santa Monica program should be slight compared to the public policy objectives advanced by the program. We, of course, are free to issue remedial orders should any unreasonable effects on competition arise. To enable our staff to monitor the program, we will direct the companies to furnish the information outlined in the staff report.

Finally, we agree with SoCal that the requirements established in D.83-03-039 for WFCP eligibility should be waived for the Santa Monica program. D.83-03-039 requires the installation of attic insulation plus any two of the other five "Big 6" conservation measures as a prerequisite to eligibility for WFCP rebates. In the case of multi-family dwellings where it can be demonstrated to SoCal's satisfaction that it is uneconomical to

to install ceiling insulation, the decision requires the installation of any three "Big 6" measures. The Santa Monica program does not comply with these requirements since no attic insulation will be installed and only two of the "Big 6" measures will be provided. Given the experimental nature of this program, we are convinced that a waiver is appropriate.

Findings of Fact

1. The RCS program was established by Federal law. The CEC was designated by the Governor as the lead agency for the RCS program in California.

2. Under the State Plan adopted by the CEC, utilities are required to implement RCS service programs in California.

3. The State Plan provides that utilities with overlapping service territories may enter into agreements to share RCS services, and may contract with a third party for all or a portion of the RCS services.

4. SoCal and Edison have entered into a third party agreement with the City of Santa Monica whereby Santa Monica would perform RCS audits and install certain conservation measures.

5. Under the terms of the agreement with SoCal and Edison, Santa Monica or its subcontractors, will audit and install conservation measures at no direct cost to the recipients of the measures.

6. Conservation measures to be installed under the terms of the agreement are water heater blankets on all water heaters, low-flow showerheads on all showers, and water pipe insulation (not to exceed ten feet of exposed pipe) in each dwelling audited that does not contain such measures. Doorsweep weatherstripping and a maximum of two faucet aerators will be substituted on a one for one basis where the dwelling has one or more of the foregoing measures already installed.

7. The agreement provides that up to 15,000 audits will be performed during the 14-month life of the contract. Should fewer than 8,820 audits be performed, the program will be terminated. ✓

8. The Agreement can be extended provided all conditions are met, the parties agree and the necessary regulatory approval is received.

9. Santa Monica is to be reimbursed \$90 for each audit performed. SoCal and Edison will each reimburse Santa Monica \$45 for each audit.

10. In addition to the audit reimbursement, Santa Monica will be reimbursed for installed measures as follows:

SoCal will pay the current credit value of the measure in its WFCP program established as in D.82-02-135.

Current WFCP values are:

	<u>Single Family</u>	<u>Multi-family</u>
Water Heater Insulation	\$ 8.00	\$ 5.00
Low-flow Showerhead	21.00	21.00
Water Pipe Insulation	9.00	9.00

Doorsweep weatherstripping and faucet aerators will be based on estimates made in Edison's A.61067 as follows:

	<u>Single Family</u>	<u>Multi-family</u>
Doorsweep Weatherstripping	\$10.00	\$10.00
Faucet Aerator	3.00	3.00

Edison will pay for installed measures as follows:

	<u>Single Family</u>	<u>Multi-family</u>
Water Heater Insulation	\$ 8.00	\$ 7.00
Low-flow Showerhead	6.00	6.00
Water Pipe Insulation	9.00	9.00
Doorsweep Weatherstripping	10.00	10.00
Faucet Aerator	3.00	3.00

11. A duly noticed public hearing on the Agreement before the CEC was held January 4 and 5, 1983 in Santa Monica.

12. The CEC decision, issued June 29, 1983, found that the Santa Monica program was in compliance with the State Plan, that the extent to which the program may have anticompetitive effects on markets for the sale and installation of energy conservation measures by Santa Monica will be minimized to an acceptable level by the structure of the program, that any remaining anticompetitive

effects as a result of the program are reasonable, and no less anticompetitive alternative to the program is likely to achieve the same degree of penetration. CEC ordered SoCal and Edison to implement the program. We concur with the findings of fact and conclusions of law in the CEC decision relating to the anti-competitive effects of the Santa Monica program.

13. The Santa Monica program is an experimental pilot program designed to penetrate a difficult segment of the residential market to achieve significant energy savings.

14. Because of the experimental nature of the program, the requirements imposed by D.83-03-039 should be waived.

15. D.82-12-106 dated December 22, 1982 authorized SoCal to collect \$442,000 in its RCS balancing account for performance of Santa Monica audits. The rebate portion of the WFCP will finance measures installed in dwellings with natural gas water heaters.

16. Resolution E-1969 directed Edison to include \$500,000 for the Santa Monica program in its proposed multi-family Audit Program Budget within its Load Management Adjustment Account. The money in this account will partially pay Edison's audit costs as well as the cost of measures in dwellings with electric water heaters.

17. SoCal and Edison should be allowed to recover their reasonable expenses prudently incurred in carrying out the program consistent with the Agreement. SoCal should be allowed to recover

such expenses through its CCA balancing account. Edison should be allowed to recover such expenses through its CLMAC balancing account.

18. SoCal's and Edison's expenses incurred in carrying out the program should be reviewed for reasonableness along with other RCS expenses in their respective RCS applications.

Conclusions of Law

1. The policy of the State of California is to promote energy conservation. The Santa Monica RCS program is consistent with the state conservation policies and objectives.

2. The Agreement between SoCal Edison and the City of Santa Monica should be approved. SoCal and Edison should begin immediately to implement the program consistent with the terms and conditions of the Agreement.

3. For purposes of carrying out the program the requirements imposed on SoCal by D.83-03-039 should be waived. In all other respects the requirements of SoCal's WFCP program should remain in effect.

4. SoCal and Edison should be allowed to recover through rates all reasonable expenses prudently incurred in carrying out the terms of the Santa Monica program.

5. The \$100 per audit limit established for SoCal in D.82-12-106 should be applied to the Santa Monica program.

6. Any potential anticompetitive effect of the Santa Monica program is outweighed by the public interest to be served by the program.

7. The Commission staff should actively monitor the program.

8. To enable the parties to begin implementation of the program prior to the onset of winter, this order should be effective today.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company (SoCal) and Southern California Edison Company (Edison) are authorized to carry out the Agreement entered into with the City of Santa Monica where Santa Monica will perform RCS audits and install specific conservation measures.

2. The requirements imposed on SoCal by D.83-03-039 in its Weatherization Financing and Credits Program are waived for the implementation of the Santa Monica program.

3. SoCal and Edison shall furnish the Commission staff with the information described in the body of this decision.

4. SoCal and Edison shall spend jointly no more than \$100 per audit excluding hardware and materials costs and including all utility in-house administrative expenses.

This order is effective today.

Dated NOV 22 1983, at San Francisco, California.

LEONARD M. CRIMES, JR.
President

VICTOR CALVO

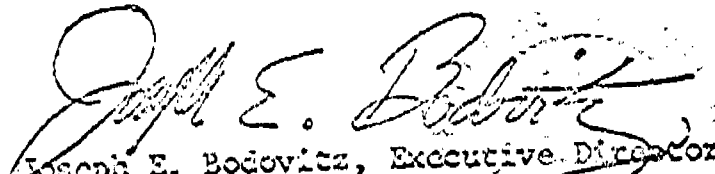
PRISCILLA C. GREW

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

6. Conservation measures to be installed under the terms of the agreement are water heater blankets on all water heaters, low-flow showerheads on all showers, and water pipe insulation (not to exceed ten feet of exposed pipe) in each dwelling audited that does not contain such measures. Doorsweep weatherstripping and a maximum of two faucet aerators will be substituted on a one for one basis where the dwelling has one or more of the foregoing measures already installed.

7. The agreement provides that up to 15,000 audits will be performed during the 14-month life of the contract. Should ~~less~~ ^{fewer} than 8,820 audits be performed, the program will be terminated.

8. The Agreement can be extended provided all conditions are met, the parties agree and the necessary regulatory approval is received.

9. Santa Monica is to be reimbursed \$90 for each audit performed. SoCal and Edison will each reimburse Santa Monica \$45 for each audit.

10. In addition to the audit reimbursement, Santa Monica will be reimbursed for installed measures as follows:

SoCal will pay the current credit value of the measure in its WFCP program established as in D.82-02-135.

such expenses through its CCA balancing account. Edison should be allowed to recover such expenses through its CLMAC balancing account.

18. SoCal's and Edison's expenses incurred in carrying out the program should be reviewed for reasonableness along with other RCS expenses in their respective RCS applications.

Conclusions of Law

1. The policy of the State of California is to promote energy conservation. The Santa Monica RCS program is consistent with the state conservation policies and objectives.

2. The Agreement between SoCal Edison and the City of Santa Monica should be approved. SoCal and Edison should begin immediately to implement the program consistent with the terms and conditions of the Agreement.

3. For purposes of carrying out the program the requirements imposed on SoCal by D.83-03-039 should be waived. In all other respects the requirements of SoCal's WFCP program should remain in effect.

4. SoCal and Edison should be allowed to recover through rates ^{all} reasonable expenses prudently incurred in carrying out the terms of the Santa Monica program.

5. The \$100 per audit limit established for SoCal in D.82-12-106 should be applied to the Santa Monica program.