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ORIGINAL

Decision No. 88651 APR 4 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into the determination of a lifeline volume of gas and a lifeline quantity of electricity and into gas and electric utility rate structures and the changes, if any, that should be made in presently constituted rate structures to provide a lifeline quantity of energy to the average residential user for specified end uses. (Re Phase II)	Case No. 9988 Phase II (Filed July 13, 1976)

(Original appearances are shown in Decision No. 86087; appearances in Phase II are shown in Appendix A.)

FINAL OPINION

Decision No. 86087 issued July 13, 1976 contains the interim opinion and order of the Commission in Case No. 9988. That decision established on an interim basis designated lifeline quantities of electricity and gas necessary to supply the minimum energy needs of average residential users for the end uses specified in the Miller-Warren Energy Lifeline Act (1975).

Decision No. 86087 stated that the quantities and volumes designated and the procedures established may require revision after being tested by experience; therefore, the Commission would be receptive to modification as experience and social and economic factors dictate.

In addition, Decision No. 86087 keeps open the investigation in Case No. 9988 for further review of particular issues. Those issues are the following:

Electric and Gas

1. Designation of lifeline energy volumes and quantities for single residential rooms.
2. Inclusion of end uses other than those uses named in the Miller-Warren Act.
3. Submetering of new residential construction.
4. Application of the lifeline rate to second homes.

Electric

1. Variation in interim uniform lifeline quantities for eligible end uses.
2. Variation in uniform six-month heating season.
3. Variation or modification to degree-day zones for space heating allowance.

Senate Bill No. 263 (1977)

Senate Bill No. 263 (SB 263), enacted during the 1977-78 seesion of the State Legislature, amended Section 739(a) of the Public Utilities Code by adding "space cooling to 85 degrees Fahrenheit in appropriate climatological areas" to the end uses for which lifeline gas and electric service apply.

That bill also provided that the Commission shall designate a lifeline volume of gas and a lifeline quantity of electricity on a unit basis which is necessary to supply the energy needs of residential users living in facilities providing long-term care and housing for the aged.

In his message vetoing SB 263, Governor Brown stated:

> "While the addition of air conditioning to the lifeline law may be desirable, I believe it is more appropriately considered by the Public Utilities Commission through its normal administrative process."

The Commission recommended to the Governor that the SB 263 be vetoed because of the provisions dealing with the designation of lifeline volumes of gas and quantities of electricity on a unit basis for residents of homes for the aged.

In a press release issued November 2, 1977 President Batinovich announced that the Commission staff is undertaking a study of the feasibility of lifeline rates for minimum essential air-conditioning usages, which would be made part of the staff's rate design recommendations in pending Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) rate proceedings.

Senate Bill No. 1747 (1976)

The California Legislature, during its 1975-76 session, enacted Senate Bill No. 1747 (SB 1747) into law as Section 789.7.b of the Civil Code and Section 739.5 of the Public Utilities Code. Section 739.5 states:

> "The commission shall require that, whenever domestic gas or domestic electric service, or both, is provided by a master meter customer to users through a submeter service system, the master meter customer providing such submeter service, whether such customer is a mobilehome park, an apartment house, or a similar establishment, shall charge each user at the same rate which would be applicable if the user were receiving such gas or electricity or both, directly from the serving utility. The commission shall require the serving utility to establish uniform rates for each service schedule area for master meter service at a level which will provide a sufficient differential to cover the reasonable average costs to master meter customers of providing such submeter service provided, however, that such costs shall not exceed the average cost that the serving utility would have incurred in providing comparable services beyond the master meter to the submeter tenants."

Case No. 10273 was instituted on March 1, 1977 for the purpose of determining a sufficient rate differential to cover the reasonable average costs of master-meter customers of natural gas and electric utility corporations which provide submeter service in a mobile home park, apartment, or a similar establishment. The investigation was to include a determination by the Commission whether the 10 percent energy rate differential and service charge level established in Decision No. 86087, supra, constitutes a sufficient rate differential for the purposes stated in SB 1747 and, if found otherwise, a determination of the appropriate rate differential.

The Proposed Report of Administrative Law Judge Gillanders was issued in Case No. 10273 on October 6, 1977.

Public Hearings in Phase II

Hearing in Phase II of Case No. 9988 was held in San Francisco on March 15 through 17, 1977, and Phase II was submitted on May 9, 1977 upon the receipt of closing briefs.

Although not originally included in the agenda of issues to be considered in Phase II, the presiding officer invited the parties to address in their briefs "the procedure to be followed when the 25 percent limitation is reached" with respect to the differential between lifeline and other electric and gas rate levels.

A motion to reject the filing of the brief of Western Mobile Home Association (WMA) or, in the alternative, to reopen Case No. 9988 for further hearings on proposals submitted in that brief was filed on May 17, 1977 by Southern California Edison Company (Edison). Southern California Gas Company (SoCal Gas) also filed a written objection to the proposals set forth in WMA's brief on the basis that such proposals are not part of the record. Edison's motion will be granted with respect to proposals in WMA's brief which were not advanced at the hearing.

Evidence in Phase II was presented by individuals testifying on their own behalf with respect to electrical energy used for special medical needs and for pumping water for domestic use and to submetering of gas and electricity in mobile home parks. Representatives of California Homes for the Aging and American Baptist Homes of the West, Inc. testified in support of the establishment of lifeline quantities and rates for gas and electricity usage by residents of homes for the aged.

Representatives of Edison, Sierra Pacific Power Company (Sierra Pacific), Southern California Water Company (SoCal Water), SoCal Gas, SDG&E, and PG&E presented oral and documentary evidence. Representatives of the Electric and Gas Branches of the Commission's Utilities Division also presented evidence and recommendations on each of the issues in Phase II.

Briefs were filed by Edison, SoCal Gas, PG&E, SDG&E, WMA, California Retailers Association (CRA), and the Commission staff. A position statement was made on the record by Southwest Gas Corporation.

Discussion of Issues

The issues reserved for Phase II are discussed in the same order as they appear on page 2 hereof.

Issues Involving both Electric and Gas

Interim Decision No. 86087 stated as follows:

> "Although we read the lifeline statute to require the designation of lifeline volumes and quantities for single rooms, we do not, at this time, see a reasonable method of applying the law. We recognize the impracticability of metering individual rooms, occupied by permanent guests, in hotels and rooming houses. On the other hand, we see no fair and equitable way of determining lifeline allowances for such rooms on a statistical basis.

> "The participants in the hearings evidently did not anticipate our understanding the lifeline law to include single residential rooms, and the record is devoid of evidence on how to determine their eligibility for lifeline or upon which to designate volumes and quantities. Any designations that we might make would therefore be strictly intuitive. Accordingly, because of the urgent necessity of establishing minimum lifeline volumes and quantities for the average residential user, we shall confine ourselves, in this initial order, to that task. In subsequent orders we shall consider the other aspects of the lifeline concept, including its application to the residents of single rooms."

The Commission staff and respondents described in detail the administrative difficulties and excessive costs that surround the designation of lifeline quantities and rates to unmetered single rooms.

Although ardent pleas were made in Phase II for the designation of lifeline volumes and quantities for residents of homes for the aged, no practical methods of designating lifeline volumes and quantities were advanced by those parties. The record shows there are about 35,000 residents in about 400 licensed homes for the aged. There are a wide variety of accommodations within homes for the aged and at least four separate standards of care are offered to residents of such homes. Also, there are several methods of payment. For example, some residents pay the entire cost of their care upon entering the home, others pay by the month or yearly. Generally rates are adjusted on an annual basis giving effect to operating costs incurred in the prior year. Utility rates included in operating expenses are a pro rata of total utility costs, including lighting of common areas, central heating, and common laundry and other facilities. Thus, it is probable that the benefits of lower rates would redound to the operator of the homes, rather than to residents.

SB 263 would have required the Commission to designate a lifeline volume of gas and a lifeline quantity of electricity on a unit basis to supply energy needs of persons living in facilities providing long-term care and housing for the aged. We commend the Governor's veto action, inasmuch as we see no reasonable method of applying the proposed statute.

We particularly wish to stress our view of the conservation goals of lifeline rates. Individual metering of lifeline service, as hereinafter required, is essential to maximize conservation effectiveness. While we are not insensitive to some of the social considerations urged in these matters, we believe that the major thrust of our rate structure reform must continue to be for conservation of energy. Since the vast majority of single rooms are neither separately metered nor submetered, the occupant would have no meaningful incentive to conserve energy. Thus we believe that the principal beneficiary of lifeline rates for single rooms would be the landlord rather than the occupant. Therefore, a second objective of AB 167 to provide lower cost energy to the residential user would not be realized by providing lifeline rates for single rooms.

The Commission staff and respondent utilities agree that lifeline allowances should not be extended to single-room residents as a class. All are united in the belief that such an application of the lifeline allowance would prove unworkable because of the unsurmountable administrative burden and substantial costs it would place on the Commission and respondents.

After reviewing the evidence on this issue received in Phase I and the additional evidence presented in Phase II, we find there are no data which will permit us to define reasonable standards of eligibility for lifeline gas and electric service for permanent residents of single rooms in homes for the aged, boarding houses, fraternity and sorority houses, college dormitories, motels, hotels, rooming houses, and military barracks. Nor do we find any evidence which would help us designate lifeline quantities and volumes for permanent residents of single rooms in such structures. Such single rooms, if separately metered and otherwise qualified for domestic service, would be entitled to applicable lifeline allowances under current utility tariffs. We also find that in the absence of individual metering, lifeline for single rooms would not enhance our conservation goal. Therefore, we iterate our conclusions expressed in Decision No. 86087.

End Uses not Designated in Miller-Warren Act

Included within this category are proposals dealing with designations of lifeline quantities of electricity for:

a. Pumping of well water for domestic use;
b. Operation of life-supporting devices; and
c. Air conditioning.

The major utilities argue that the Commission has no authority to designate lifeline quantities and rates for electricity and gas services other than those specifically enumerated in Section 739(a). We disagree with that interpretation. We have set lifeline quantities and rates for water service under our general authority to regulate the services and rates of public utilities.

The utilities correctly point out that the Legislature, when enacting Section 739(a), intended that the Commission designate lifeline quantities necessary to supply the "minimum energy needs of the average residential user". Decision No. 86087 defined "average" to mean the typical family group.

However, other end uses proposed in Phase II do not meet those criteria. For example, the typical family group does not use well water for domestic purposes in many service areas of the state. Domestic well pumping does not appear to generally fall within the end use criteria intended by the Legislature when enacting Section 739(a). However, we will in future rate proceedings consider such allowances where significant need by customers receiving such service is demonstrated.

Domestic Water Pumping

The proponents of lifeline quantities for domestic water pumping are residents of rural areas. They argue that failure to designate lifeline quantities for domestic water pumping discriminates against country folk in favor of city residents because city dwellers rarely have their own domestic water supplies.

We have no knowledge of the extent of domestic water pumping. The record shows that the quantity of electricity needed to pump water varies directly with the depth of the well and with the efficiency of the type of pump used. The record does not contain sufficient information to determine lifeline quantities of electricity for domestic water pumping.

Life-Support Devices

The record contains requests from permanently infirm persons for the establishment of lifeline quantities for life-support devices (e.g., kidney dialysis machines and iron lungs). We are of the opinion that these requests are reasonable. Such persons cannot conserve in attempting to stay within existing lifeline quantities by not using life-support devices. Accordingly, they are in a unique position. They have energy requirements essential for survival and cannot conserve by reducing such use. The incremental amount of consumption for these essential life-sustaining devices should be added to existing lifeline quantities for such customers. Our resolution of this issue is intended to extend an equitable application of lifeline to those who have essential fixed usage needs.

How shall such a program be administered by utilities? There are a very limited number of instances where a connection served by a residential service account will house a life-support device. In circumstances where a residential service houses a resident with a life-support device, the customer may apply to the utility for a lifeline quantity for the particular device. The utilities have expertise to estimate consumption for such equipment given its specifications and the average hours of use each month. On a case-by-case basis, then, the utilities shall estimate for the customer certifying the existence of a life-support device the average consumption and add that amount to otherwise existing lifeline quantities. The utilities should seek verification at least every two years that the service account still houses a person in need of life-support devices. If in the future there is adequate data to establish a lifeline quantity for particular life-support devices, we may modify the administrative procedure for determining the consumption of life-support devices.

Air Conditioning

While SB 263 would have required the establishment of lifeline quantities for air conditioning to 85 degrees Fahrenheit, the Governor vetoed the bill indicating the Commission should consider the designation of lifeline quantities for air condition "through its normal administrative process."

The records in Phase II and in the initial phase do not contain data from which we can designate specific lifeline quantities for air-conditioning usage in this decision. President Batinovich has announced, however, that the staff is making studies to be used as a basis for proposing lifeline quantities and rates for air conditioning in pending major electric utility rate increase proceedings. Accordingly, and in harmony with the Governor's request, we will adopt a policy in this proceeding to establish in forthcoming rate decisions involving electric utilities lifeline quantities of electricity necessary to supply the minimum energy needs of the average residential user for space cooling to 85 degrees Fahrenheit in appropriate climatological areas. Furthermore, it shall be our policy to establish the rates for these usages at the same level as that charged for the basic lifeline allowance. The allowances will be provided for electric service to qualifying usages in the months of May through October.

Such lifeline quantities will be established for Edison and PG&E in pending general rate proceedings and for other electric utilities in a similar manner.

The usage of gas for residential air conditioning is insignificant and therefore need not be considered in this decision.

Submetering of New Residential Construction

Decision No. 86087 stated that the Commission was concerned "that not metering individual units of multi-unit complexes could encourage wasteful use of energy". (Mimeo. page 47.) The order indicated that in Phase II, the Commission would consider requiring metering of all new residential units. Decision No. 86087 provided, as an incentive to submeter, that rate schedules for complexes that are submetered would be 10 percent lower for lifeline blocks than for similar complexes that are not submetered. The decision states (at mimeo. page 11) that allowing the same volumes and quantities for unsubmetered units could negate the expressed purpose of the lifeline act by encouraging wasteful use of energy inasmuch as the residents of unmetered units have no direct monetary incentive to be conservative in their use of utility services.

Recommendations were made by the staff and respondents concerning submetering of new electric and new gas installations. In general, the staff and the utilities agree that metering or submetering of all new residential units is appropriate and should be adopted with respect to electric service where economically feasible and physically possible. However, some respondent gas utilities oppose metering or submetering of gas installations on new residential units because of difficulties which may be encountered.

SoCal Gas recommended the following procedures with respect to electric and gas master-metered services in new multi-unit residential complexes, which are typical of other recommendations.

"Prospective customers applying for master-metered services will be informed of the provisions of Decision No. 86087 with respect to rate alternatives and billing procedures applicable to master-metered service to multi-unit residential complexes. The prospective customer will be encouraged to provide for metering of each unit by (1) having individual services and meters installed directly by the utility, or (2) the residential complex owner installing yard piping and submeters at his expense for supply through a master-meter. If the applicant chooses to install submeters for each unit at his expense and takes service through a master-meter, he will be informed of his obligation to bill his tenants in accordance with SoCal's filed Rule 24 and other applicable tariff provisions, and to maintain the yard piping system in conformance with Federal (DOT) requirements.

"Although we will discourage master-metering without individual submeters, we will continue to provide such service to multi-unit residential complexes where physical and/or economic conditions would make the installation of individual meters impractical or where the owner refuses to install submetering. This would apply to residential complexes where gas-fired central facilities for water heating and space heating are installed."

The staff testimony indicates that it is not economically feasible to institute mandatory requirements that all existing multi-unit residential facilities be modified by installation of separate metering or submetering because the cost would be prohibitive in most instances. However, the staff recommended that submetering be encouraged; to that end it suggested utilities be ordered to sponsor programs designed to inform owners of multi-unit residential buildings of the advantages to them and their tenants of submetering.

Submetering of Electric Service

The evidence shows that submetering of electric service in master-metered multi-unit complexes would encourage conservation because without submetering, there is no tangible way for the consumer to determine the results of his conservation efforts. The record indicates that no difficult installation problems are presented in connection with submetering of electric service for new construction. The staff recommended that each electric utility amend its rules so that service to new units would be available only through a separate meter or a submeter of a complex master meter. A ninety-day grace period should precede the effective date of such new tariff rules so that builders and developers can meet the new requirement without retrofit. The staff also recommended that insofar as possible, all utility meters (electric, gas, and water) be installed in common locations within a multi-unit complex to facilitate joint meter reading.

Submetering of Gas Service

PG&E pointed out in its testimony that there are major differences between metering gas and electricity. All tenants in multi-family dwellings do not use gas directly because a single gas meter will supply a central hot water system and a central space heating system. Only those tenants that use gas directly should be metered. PG&E recommends that existing installations not be required to be metered.

SoCal Gas pointed out that central appliances for water heating and space heating are consistent with the conservation objective of reducing pilot light usage, and that central gas-fired appliances may be needed to assure satisfactory operation of solar-assisted energy systems, which are now commencing to be developed.

SDG&E pointed out in its testimony that individual residential gas meters are not generally installed in high rise buildings because the increased possibility of gas leaks affects customer safety. Such installations are made only if the main vertical gas pipes are installed in a shaft vented through the roof and all joints are welded to prevent earthquake damage. Such installations present space and maintenance problems to owners.

SDG&E recommends that new duplexes and mobile home parks and apartments of eight units or less be individually metered for gas service. In units of larger size, it is not economically feasible to use gas for hot water or space heating, except through central facilities common to all units.

Based on the augmented record in Phase II of this proceeding, we find that greater energy conservation will be achieved if all units in new multi-unit residential complexes are individually metered for gas and electric service. The order which follows will so provide. This does not include the gas or electricity used for common facilities within the complex.

We also find that the probable costs involved in a requirement that all existing multi-unit residential housing units be individually metered or submetered outweigh the potential benefits to be achieved through energy conservation. Our program with respect to existing housing will require the respondent utilities to furnish data encouraging the voluntary installation of individual meters or submeters where economically feasible. We will instruct our staff Energy Conservation Team to assist the utilities in the dissemination of such information.

To provide further incentive for conservation through this metering program, we believe that lifeline allowances for multi-family residential housing units which are not submetered should be phased out over a reasonable time. Under our requirements for individual metering, rate schedules including such allowances should be closed to new customers. The required utility program to encourage the separate metering of existing units should include proposals for the termination of lifeline allowances for units that are not individually metered. We also believe that within a reasonable time the lifeline quantities for submetered multi-family housing units should be adjusted to conform to those currently designated for multi-family housing units which are not submetered. For this purpose multi-family units are considered to be those with one or more common walls between units and/or a multi-story common ceiling/floor configuration. Free standing individual structures including mobile-home park units would not be subject to the proposed adjustment in lifeline allowances. Utility proposals for this adjustment should parallel the proposals for phasing out of lifeline allowances for multi-family units which are not submetered.

Issues in Case No. 10273

The Legislature selected for special consideration the rate structure that should be applicable to residential gas or electricity provided by a master-meter customer to users through a submeter service system (Section 739.5 of the Public Utilities Code). Pursuant to legislative directive, the Commission instituted Case No. 10273 which stands submitted following public hearing. This order will not cover the issues under investigation in Case No. 10273. If, after conclusion of that investigation, further review is indicated of lifeline quantities or rates for residential gas or electric service provided by master-meter customers to users through a submeter service system, a separate investigation will be instituted.

Lifeline Allowances for Second Homes

The Commission staff recommended that lifeline allowances and rates for electricity and gas not be applicable to second homes. The basis for the staff recommendation is that second homes are not the principal residence of the consumer and, therefore, do not qualify under Section 739 for lifeline allowances.

In Decision No. 85278 in Application No. 55318 (1975), Southern California Water Company to Increase Electric Rates, the Commission determined the following:

(1) Defined an "average residential user in the Bear Valley District" as one whose permanent residence is in that district.

(2) Defined a permanent resident of the Bear Valley District.

(3) Established a lifeline quantity for the permanent residents only.

(4) Established a domestic tariff schedule for "Domestic Service-Lifeline" for the permanent residents.

(5) Established a separate domestic tariff schedule for "Domestic Service - Other" for the non-permanent residents (i.e., "second" or "vacation" homes).

The staff urged that since the Commission has already established that second homes in the Bear Valley Electric District are not entitled to lifeline allowances, it seems to follow that the availability of lifeline allowances for second homes in other areas of California would be discriminatory in nature or constitute a double standard. The staff witness recognized that some utilities will be faced with a substantial administrative effort in determining which dwelling units are second homes.

Sierra Pacific and SoCal Water support the staff position.

Sierra Pacific provides electric service in the Lake Tahoe Basin. It presented testimony showing that, based on an analysis of customer data obtained in December 1976, Sierra Pacific had 25,254 residential accounts. Of these, 13,417 were primary residences and 11,837 were secondary residences. Secondary residences, therefore, represented approximately 47 percent of its total California residential accounts. A revenue analysis showed that if lifeline allowances are applicable only to primary residences, its annual revenues for its residential accounts would be $5,446,400; and if lifeline allowances are also made applicable to second homes, its annual revenues would be $4,890,200, or a reduction of $556,200.

Edison, PG&E, SoCal Gas, and SDG&E opposed the staff recommendation. Witnesses for those respondents recommended that lifeline volumes be awarded to all residences. The witness for SoCal Gas stated that many second homes, while not being used by the owner, are rented and are occupied much of the year by persons other than the owner; further, it is impractical to

attempt to identify such residences. The witnesses for Edison, PG&E, and SDG&E testified in a similar vein. Their view is that second homes represent only a small percentage of total residential customers in their service areas; and, thus, lifeline for second homes has little impact on their revenues. They contend that identification of second homes for purposes of disallowing lifeline rates would create an overwhelming administrative burden, and the costs involved outweigh any possible benefits.

On the other hand, SoCal Gas and SDG&E recognize that some utilities have unique circumstances where a large percentage of residential load is comprised of structures that may be second or vacation-type dwelling units, that the allowance of lifeline volumes for such structures could have a significant effect on the utilities' ability to recover their revenue requirements, and that such utilities may appropriately be authorized to disallow lifeline volumes as a result of these unusual conditions.

The most important consideration to be kept in mind with regard to lifeline applicability to second homes is the reason for the existence of lifeline in the first place. The Commission originally instituted lifeline as a conservation measure and still considers it to be such. We also perceive conservation to be the paramount legislative intent in enacting Sections 739 and 739.5. It follows then, as a general proposition, that the widest application of lifeline for the "average residential user" should result in the greatest conservation benefit. It must also be recognized, however, that conservation when effective with or without lifeline, results in a financial and economic impact upon the utility company concerned. We have recently gone through a severe two-year drought. During the course of that drought we, as well as other public agencies, found it necessary because of conservation to increase rates by surcharge to make up for the lost revenue occasioned by the public's conservation efforts. Conservation obtained by the extension of lifeline to second homes has an identical effect posing the problems of either: 1. finding a way to make up for the lost revenue; or 2. sacrificing the conservation result and leaving the revenue status as it presently exists.

In weighing the decision to be made, many things must be considered: the volume of usage within the utility; its overall size; the make-up of its customers; the geographic and climatological nature of its service area; the potential for conservation; and the potential financial burden of effective lifeline conservation.

Applying the foregoing with respect to Sierra Pacific, So Cal Water, and Southwest Gas, we find that it is reasonable and permissible under the governing statute to accord lifeline allowances and rates for

electricity and gas to second homes in the service areas of the major utilities and to make exception to that general conclusion and to disallow lifeline allowances and rates for the three utilities (SoCal Water, Sierra Pacific, and Southwest Gas) which would be adversely affected if second homes in their service areas are subject to lifeline.

Variation in Interim Uniform Lifeline Quantities to Eligible End Uses

The Commission staff witness testified that there is no basis for recommending any changes to the interim uniform lifeline quantities of electricity and gas established for eligible end uses. All of the parties agree with the staff. Therefore, we will make our interim order permanent with respect to uniform lifeline quantities for electricity and gas with the provision that a continuing review will be made by the Commission.

Variation or Modification to Degree-Day Zones for Space Heating Allowance

The staff position is that there should be no such modification. All other parties concur. No basis exists for any modification in this area.

Variation in Six-Month Heating Season

The Commission staff and respondent electric utilities believe that the prescribed six-month heating season for electric service should be retained without change. No change will be made therein.

The staff witness for the Commission's Gas Branch recommended that the uniform six-month heating season for gas service be revised to provide the following seasons (without change in the total yearly lifeline volume):

Climate Zone

No.	Degree Days	Geographic Location	Space Heating Months
1	≤2,500	Statewide	Nov.-Apr.
2	>2,500	Inland	Nov.-Apr.
		Coastal[1/]	Nov.-Apr.
		Coastal	May-Oct.
3	>4,500	Inland	Oct.-May
		Coastal	Nov.-Apr.
		Coastal	May-Oct.
4	>7,000	Inland	Oct.-May
		Inland	June-Sept.

1/ Coastal means specified Pacific Coast communities north of Point Arguello.

The witness based his proposal on an analysis of the degree-day data for coastal cities compared with inland communities. That study showed the following:

> A coastal city with annual degree days of 3,000 has a more even spread of monthly degree days than an inland 3,000 degree-day city. Inland the summers were hotter and required no heating, while the winters were colder and all the heating was done then. In coastal communities some heating is needed in summer. In Zone 3 the pattern inland required heating for eight months; and in Zone 4, inland, it showed in addition to an eight-month heating seasen, a summer allowance was required.

The staff witness indicated that the change to a different heating season would produce a one percent or less difference in the annual charge for gas because the proposed annual heating requirements in therms for each zone are the same as those stated in Decision No. 86087, only the spread by month is different in some zones.

PG&E, SoCal Gas, and SDG&E oppose the staff proposals. SDG&E demonstrated that in its service area the degree-day deficiency (DDD) per month compared to the average billing period basis produced a close correlation showing a distinct six-month heating period. PG&E and Edison testified that no variation is warranted at this time based on their analyses.

The three major gas utilities argue that the staff proposal would further complicate the rate structure without providing any material benefit to consumers and ask that the staff proposal be rejected.

The utilities further point out that the eight-month heating season would apply only to 32 specified coastal communities, and that unincorporated communities immediately adjacent to such incorporated areas and possessing the same weather characteristics would be denied the expanded heating season.

The staff witness from our Electric Branch proposed no corresponding revision of the uniform six-month heating season for electricity although electricity may also be used for space heating.

In the circumstances, we find that sufficient justification has not been furnished to modify the uniform six-month heating system for gas.

Interpretation of the 25 Percent Provision of Section 739(b)

Public Utilities Code Section 739 provides in part as follows:

> "(b). . . The lifeline rate shall be not greater than the rates in effect on January 1, 1976. The commission shall authorize no increase in the lifeline rate until the average system rate in cents per kilowatt-hour or cents per therm increased 25% or more over the January 1, 1976, level."

Decision No. 86087 (at pages 48 and 49) indicated in substance that the issue of the 25 percent differential between lifeline and average-system rate would be a topic for consideration. However, this issue was not included in the agenda of issues to be covered in Phase II of Case No. 9988, and no testimony was presented on this subject. Near the conclusion of the hearings in Phase II, the presiding officer invited the parties to address in their briefs "the procedure to be followed when the 25-percent limitation is reached".

In response to that invitation, Edison, SoCal Gas, PG&E, SDG&E, CRA, and the Commission staff briefed this issue. With the exception of the Commission staff, all parties conclude that once the 25 percent level has been pierced, lifeline rate should be raised. Argument and citations to support that conclusion were presented.

Subsequent to the submission of Phase II, the Commission has acted in current utility rate cases in a different manner than would be the result under the conclusions expressed by the respondent utilities and CRA.[1/]

1/ Cf. San Diego Gas & Electric Co., Decision No. 88225 dated December 13, 1977 in Application No. 57497.

It is time for us to decide and indicate publicly our interpretation of Section 739(b) as it relates to the 25 percent differential. The section prohibits increases above the January 1, 1976 level until the average system rate is 25 percent "or more" over that level. The phrase "or more" is indicative of a legislative intent to provide the Commission with some discretion, after the 25 percent differential has been reached, to do what the Commission deems appropriate for ratemaking purposes. Thus, the Commission might continue the level of lifeline rates after the average rate has increased by 25 percent as we have done, or it might raise the lifeline level together with the nonlifeline rates. We believe the specification of the percentage level with the inclusion of the specific ability to proceed beyond that level is a clear indication of the legislative intent to allow the Commission complete discretion beyond that point. We believe that it is appropriate to establish nonlifeline rates at levels above lifeline rates to encourage conservation. Relative rate levels will be examined and modified as appropriate in all rate proceedings.

Additional Findings

1. Further hearings were held and evidence was adduced in Phase II of Case No. 9988 concerning the issues enumerated on mimeo. page 2 of this decision.

2. After further consideration, no changes are required in the uniform six-month heating season nor in the lifeline volumes of gas and quantities of electricity established as interim in Decision No. 86087, and those interim provisions should be made permanent.

3. The inclusion of additional end uses other than those named in the Miller-Warren Lifeline Act should be limited to those end uses needed to supply the minimum energy needs of the average residential user and to life-support devices.

4. The proposed end uses of pumping of domestic well water and gas for residential air conditioning do not fall within the criterion set forth in the preceding finding, and lifeline quantities and volumes for such uses should not be generally established. However, we will in future rate proceedings consider allowances for domestic well pumping where significant need by customers is demonstrated.

5. Air conditioning falls within the end use criterion set forth above, and lifeline quantities for electric air conditioning should be established in separate utility rate proceedings.

6. Persons who must use life-support devices cannot conserve by modifying usage any of the incremental amount of energy necessary to operate such devices.

7. It is reasonable and equitable to allow an incremental lifeline allowance for unique energy requirements, such as the required use of essential life-support devices, where customers cannot conserve.

8. It is reasonable to order utilities to determine the monthly consumption for particular life-support devices, when customers certify that a full-time resident of the household regularly requires such a device, and add that amount to the basic residential billing account lifeline quantities. The utilities should be directed to apprise the public of the availability of a lifeline allowance for life-support devices.

9. There are no data in the record which will permit us to define reasonable standards of eligibility for lifeline gas and electric service or sufficient evidence to designate lifeline volumes and quantities for permanent residents of single rooms in homes for the aged, boarding and rooming houses, dormitories, hotels, and similar residences.

10. Metering or submetering of individual residential units of multi-unit complexes encourages conservation of energy. All new construction of such type should be required to be individually metered where gas service is to be used directly by each individual unit. A sufficient period should be provided before such a requirement becomes effective to enable owners and builders to revise building plans to provide for individual metering or submetering of gas and electric service. This would not foreclose a central space and/or water heating facility for the entire complex which would result in a more efficient utilization of energy.

11. The conservation benefits resulting from individual metering or submetering of residential units in existing multi-unit housing developments may be offset by the costs of installing such metering. Rather than require such installations, we should direct utilities to furnish detailed information concerning the advantages of individual metering or submetering so that owners and landlords are encouraged to voluntarily install such metering when such projects will be economical.

12. Findings 10 and 11 do not apply to gas and electricity used for common services or areas such as hot water heating, space heating, and lighting of common facilities within multi-unit residential complexes.

13. Lifeline allowances for second homes should not be provided in the rate structures in the service areas of those utilities whose revenues would adversely be affected because of the conservation resulting from the institution of lifeline rates. Those utilities are SoCal Water, Sierra Pacific, Cal-Pacific, and Southwest Gas. Second homes should be accorded lifeline volumes and quantities in the service areas of other utilities whose revenues would not be adversely affected by the resulting conservation. Such utilities are PG&E, Edison, SoCal Gas, Pacific-Power & Light, Cal-Pacific, Bay Point Power & Light, and SDG&E.

Conclusions

1. The interim provisions of Decision No. 86087 should be made final.

2. Continuous review of those provisions should be maintained by the Commission staff and respondent utilities to insure that they continue to be responsive to the concepts of the Miller-Warren Lifeline Act and the needs of the public.

3. Utilities should be directed to establish the tariff provisions set forth in the order which follows.

4. Case No. 9988 should be discontinued.

5. The motion for a proposed report is denied.

6. The motion of Edison to strike the brief filed by Western Mobile Homes Association is granted.

7. Section 739(b) requires no increase in the lifeline rate until the average system rate has increased by 25 percent or more over the January 1, 1976 level. The Commission should continue to establish nonlifeline rates at appropriate levels above lifeline rates.

FINAL ORDER

IT IS ORDERED that:

1. The provisions of Ordering Paragraphs 1 through 6 of Decision No. 86087 are made final on the effective date of this order.

2. The respondent utilities and the Commission staff are directed to maintain a continuous review of the provisions referred to in the above ordering paragraph and to advise the Commission when changes in such provisions are required.

3. Each respondent electric utility shall within ten days of the effective date of this order file necessary revisions to its rules and regulations to provide for separate metering by the utility for electric service to each unit in new multi-unit residential facilities, except when a commitment for other than separate metering service has been made by the utility to the owner/developer prior to the effective date of this order. However, if said commitment has not been exercised by the initiation of construction within an ensuing period of twelve months, separate metering of electric service for each residential unit is required.

4. Each respondent gas utility shall file tariffs to provide for separate metering by the utility for gas service to:

   a. New residential mobile home parks where such mobile home tenants use gas directly in gas appliances in each occupancy.

   b. New multi-unit residential structures where such multi-unit tenants use gas directly in gas appliances in each occupancy and which require venting.

If a gas utility has made a written commitment to provide master-metering service as provided in 4b prior to the effective date of this order, such commitment shall become null and void if construction does not commence within twelve months from the effective date of this order.

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.

6. Within thirty days from the effective date of this order the respondent utilities shall file tariffs which:

a. Establish procedures whereby residential customers may certify that a full-time resident of that household regularly requires the use of a life-support device.

b. Upon the above certification, the utility shall estimate the monthly consumption of the particular life-support device, given the usual hours of operation per month, and within 15 days add the incremental estimated monthly usage to the customer's basic lifeline quantity.

7. Within sixty days from the date the tariffs ordered in paragraph 6 become effective, the respondents shall notify all residential customers of the availability of lifeline rates for life-support device consumption.

8. Case No. 9988 is discontinued.

The Executive Director shall provide copies of this order to each member of the Legislature, to the State Energy Resources Conservation and Development Commission, to each county and the principal cities, and to all appearances in the proceeding.

The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 4th day of APRIL, 1978.

I will file a dissent.
William Symons, Jr.

Robert Batinovich
President

I concur in Commissioner Symons' dissent.
Vernon L. Sturgeon

I will file a concurring opinion
Alan I. Pesnick

Richard D. Gravelle
Commissioners

APPENDIX A

Appearances in Phase II
of Case No. 9988

Additional Appearances

Respondents: Carol B. Henningson, Attorney at Law, for Southern California Edison; John S. Fick, Attorney at Law, for Southern California Gas Company; Richard S. Jarrett, for California-Pacific Utilities Company; and Shirley Woo, Attorney at Law, for Pacific Gas and Electric Company.

Interested Parties: Allen R. Crown, Attorney at Law, for the California Farm Bureau Federation; Dellon E. Coker, for Consumer Interests of all Executive Agencies of the United States; and Graham & James, by Boris A. Lakusta, Attorney at Law, for Western Mobile Home Association.

Commission Staff: Thomas F. Grant, Attorney at Law.

Replacement Appearances

Respondent: Vincent P. Master, Sr., Attorney at Law, for San Diego Gas & Electric Company.

Interested Parties: James Geoffrey Durham, for California Farm Bureau Federation; Edward Mrizek, for City of Palo Alto; and Stewart Stone, Jr., Attorney at Law, for California Manufacturers Association.

Commission Staff: James S. Rood, Attorney at Law, and Gregory J. Hobbs.

C. 9988 - D.88651
Commission Investigation into Lifeline

COMMISSIONER WILLIAM SYMONS, JR., Dissenting
COMMISSIONER VERNON L. STURGEON, Dissenting

"Lifeline", as administered by the Commission majority, has made a shambles of rational prices for energy in California. Runaway lifeline now costs a half billion dollars a year. The expense falls heavily on the manufacturers, commercial enterprises and farmers who produce in California.

To close this generic investigation into lifeline without a murmur as to the damage that is being inflicted, without any attempt to take corrective steps, is derelict.

Inequity In three short years this policy has set up a pricing scheme that discriminates severely among the customers of the energy utilities of California. Cost of service studies in Southern California Gas Company's latest offset case, A.57573, show residential customers contributing less than 2% return to the utility, while the system now exacts from the industry a disproportionate 89% return. The situation is even worse for Pacific Gas & Electric Company's gas branch where Commission pricing policies have been more extensively implemented. The cost of service studies on the peak month basis introduced into their present rate increase case show large industry paying a 42% rate of return whereas the residential class is minus 2% -- a dead loss to the system. To allow this to continue is to tolerate the rankest kind of discrimination among customers. One of the fundamental purposes of a regulatory commission such as ours is to watch over the state-permitted monopoly and guard against precisely such price discrimination. Instead, we foster it; we force it.

Runaway Lifeline Central to the problem is the excessive overkill of the present policy. Only 1 in 10 California families is needy, yet lifeline goes to 10 out of 10 families. Generally a full two-thirds of residential sales fall into the lifeline category and are subsidized, so the cost is immense.

The second policy exacerbating the problem is the Commission majority's unwillingness to come to grips with the decision of what to do when the 25% statutory limitation is exceeded. This happened 15 months ago in PG&E's system. Yet residential sales in the lifeline category still do not share in the necessary rate increases. Instead the majority continues to put the decision off -- if it's an offset case, the decision language suggests the Commission will treat the problem in the future in a general case. If it's a generic case, it's suggested that we'll handle the problem in the future in a case for a particular utility. This has gone on and on. This buck passing has got to stop. Briefs were filed on this issue in today's case. It is irresponsible to close down this investigation without providing an answer.

Answer Needed Imposition of such a major welfare scheme onto the utility system cannot be expected to go unperceived. It's impact sticks out like a sore thumb, when comparisons are made showing the high cost to business of energy in California as opposed to lower costs in other states. Recent surveys show California's

energy costs rising to the nearly highest in the nation and hurting our business climate. Unemployment is a serious problem.

It is folly to make California further unattractive to new job creating enterprises by fostering anti-business utility rates.

San Francisco, California
April 4, 1978

William Symons, Jr.
WILLIAM SYMONS, JR.
Commissioner

I concur in this dissent
Vernon L. Sturgeon

C.9988 - D.88651

COMMISSIONER CLAIRE T. DEDRICK, CONCURRING:

The Commission today has finalized implementation of lifeline rates and has done so in a manner which provides for the wide variety of end uses and climatic conditions occurring in this state. Specifically, this order finds that electric air conditioning is an end-use subject to lifeline rates, and rates may be set on an area-by-area basis in the rate cases of each utility providing power to areas utilizing air conditioning. This recognizes the great diversity of summer temperatures and seasonal lengths in this state. Thus, in the pending California-Pacific Utilities Company general rate case, lifeline rates may be set for the customers in Needles, who must use air conditioning for over six months of the year and for up to 24 hours a day.

Secondly, lifeline rates and seasonal periods for electric space and water heating set in this order may also be further investigated and modified, if necessary, on an area-by-area basis in future rate cases. Just as air conditioning rates and seasonal periods are essential to Cal-Pacific's customers in Needles, so electric space and water heating rates and periods are crucial to Cal-Pacific's Lassen Division customers, who must maintain water and house temperatures during freezing weather for over six months a year. For the pending Cal-Pacific general rate cases in all divisions, we will have the opportunity to set equitable lifeline rates which accurately reflect climatic conditions in each area.

Claire T. Dedrick
Commissioner

San Francisco, California
April 4, 1978