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Decision No. 90308 MAY 22 1979**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's)
 own motion into the establishing)
 by regulation or order necessary)
 or desirable requirements to)
 implement the HOME INSULATION)
 ASSISTANCE & FINANCING PROVISIONS)
 of newly enacted Public Utilities)
 Code Sections 2781 through 2788,)
 inclusive, as they apply to)
 electrical corporations and gas)
 corporations under the jurisdiction)
 of the Commission.)

Case No. 10032
 (Filed January 13, 1976;
 amended February 15, 1977)

(See Decisions Nos. 88551 and 88928 for appearances.)

Additional Appearances

Christopher Ellison, Attorney at Law, for California
 Energy Resources Conservation and Development
 Commission; Joseph J. Honick, for the Insulation
 Contractors Association; Barry Murphy, Attorney
 at Law, for Owens-Corning Fiberglas; and Thomas O.
Leatherwood, for Labor Consumer Task Force; interested
 parties.
James S. Rood, Attorney at Law, for the Commission staff.

INTERIM OPINION

Introduction

On January 13, 1976 the Commission instituted this investigation for the purpose of implementing the provisions of Sections 2781 through 2788 of the Public Utilities Code (Chapter 6). These sections provide that the Commission shall permit any electric or gas utility to institute a home insulation assistance and financing program and direct the Commission to develop and adopt, by regulation or order, such requirements as it finds necessary or desirable to implement the chapter.

By Decision No. 88551 dated March 7, 1978 in Case 10032, all gas and electric utilities were directed to implement home insulation and financing programs. Ordering Paragraph 3 of that decision provided:

"Upon request by the residential property owner, each utility shall inspect such residential unit(s) within its service area for the installed R-level of attic insulation. For each unit with existing or retrofit attic insulation equaling or exceeding the R-19 insulation resistance level, the utility shall offer and install one thermal insulation blanket for the hot water heater servicing the residential unit and one high quality low-flow showerhead. Both items, including installation, shall be without charge to the property owner. Details of the program shall be worked out with the staff including product quality selection. The combined cost to the utility of these two items should be in the range of twenty-five dollars (\$25)."

Petitions for rehearing of Decision No. 88551 were filed by all of the major respondent utilities and by interested parties.^{1/} The petitions for rehearing temporarily suspended the order, and on May 16, 1978 Decision No. 88855 extended the suspension until further order. By Decision No. 88928 dated May 31, 1978 the Commission modified Decision No. 88551 and granted rehearing on the limited issue of the reasonableness of the hardware incentive program.

Rehearing was then scheduled but taken off calendar when the California Supreme Court granted the writ of review petitioned for by Southern California Gas Company (SoCal), San Diego Gas & Electric Company (SDG&E), and Southwest Gas Corporation. Although the Supreme Court has not yet ruled in this matter, rehearing was

^{1/} The petitions objected to the requirement that conservation hardware be provided and installed by the utilities. It was alleged that the order raised serious antitrust questions as well as violating the insulation and financing provisions of Sections 2781-2788 of the Public Utilities Code.

held^{2/} for four days in October and November of 1978. It is important to point out that the scheduling of this rehearing was done at the request of SoCal which is one of the petitioners before the California Supreme Court.

At the rehearing, the utilities presented varying plans for dealing with the problem of encouraging retrofit attic insulation. Generally, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), Sierra Pacific Power Company (Sierra Pacific), and Pacific Power & Light Company (PP&L) are presently engaging in or planning an incentive program to encourage insulation. SoCal and SDG&E presented alternative incentive programs.

In Addition to the utilities, evidence was also presented by the Retail Hardware Association, the Insulation Contractor's Association, the California State Energy Resources Conservation and Development Commission (ERCDC), and the Commission staff (staff).

Utilities' Recommendations

PG&E

In November 1978 PG&E commenced its insulation incentive program in response to Decisions Nos. 88551 and 88928. PG&E's witness, Mr. Mueller, stated that PG&E's incentive program is confined to residential units constructed before January 1, 1975,^{3/}

^{2/} This rehearing was held exclusively for the determination of the reasonableness of the incentive programs to stimulate a lagging insulation market. Other issues, including any now pending before the California Supreme Court, were not heard in these hearings.

^{3/} The staff submits that the effective date should be for structures with building permits issued before February 22, 1975, the date attic insulation became mandatory for new construction.

where retrofit insulation has been installed after April 26, 1977 which would essentially coincide with the effective date of state and federal programs. Under its program, customers with attic insulation of less than R-7 value would receive a low-flow shower-head and water heater blanket installed by PG&E if they install R-19 level attic insulation. Customers who upgrade their insulation from R-7 to R-19 receive only a water heater blanket. Customers who retrofit-insulated their attics prior to April of 1977 or whose building permits were issued after February 22, 1975 would receive a water heater blanket installed by PG&E for a charge of \$5. The estimated cost of the incentive program as outlined in Exhibit 51 for 1978 is \$30.67 including labor, program, advertising, and overhead.

Edison

Edison's insulation program is set forth in the testimony of its witness, Mr. Roberson. It is similar to that of PG&E in that Edison is installing water heater blankets and low-flow showerheads at no charge for customers who heat water electrically and who request installation of the devices. Mr. Roberson stated that Edison's cost for its water heater blanket and showerhead is \$30.81 per installation, including contract labor, material, overhead, and contractor's profit. The program differs from PG&E's in that Edison does not consider these devices as an incentive to insulate and their installation is not conditioned on any commitment by the customer to insulate. Further, Edison does not favor cash incentives but encourages attic insulation by offering a free attic inspection for customers who heat with electricity. If the customer states that he wants attic insulation at the time of the inspection, a contract is written for a qualified independent contractor to make the installation.

SoCal

SoCal's proposal is contained in the testimony of its witness, Mr. Neiggemann. SoCal is opposed to hardware incentives

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because it fears antitrust liability^{4/} and the exposure for potential plumbing damage caused by the installation of showerheads and water heater blankets. Also, it takes exception to Finding 8 in Decision No. 88551 which states that a \$50 cash incentive is not a reasonable inducement to insulate.

Mr. Neiggemann introduced statistics indicating a substantial decline in insulation sales from 1977 to 1978 and indicated that in his opinion a cash incentive of \$50 for each customer who has insulated since April of 1977 would be the most effective means of encouraging insulation because the customer would receive the benefit immediately. Mr. Neiggemann based his opinion primarily on the results of a survey conducted for SoCal. As an alternative to a cash incentive, SoCal proposes, as an inducement to purchase insulation, that an aerial infra-red thermal scan photo be utilized to graphically demonstrate to customers the amount of heat lost through the roofs of their homes. Since August, 1976 SoCal has been selling both showerheads and water heater blankets to its customers. Mr. Neiggemann stated that the program was in cooperation with retail dealers to stimulate the sale of conservation devices. SoCal also argues that the National Energy Conservation Policy Act (NECPA) may preclude hardware incentives unless expenses for the devices are fully recovered from the customer. SoCal alluded to the following discussion from NECPA in support of its argument:

"Each utility program shall include procedures to assure that the costs of labor and materials incurred by a utility for the purchase or installation of any residential energy conservation measure shall be charged to the residential customer for whom such activity is performed. (Section 215(c)(1)(D))." ✓

^{4/} Mr. Neiggemann stated that in December 1977, TOPI Systems, a marketer of water flow control devices, and OMNI Products, a manufacturer and distributor of such devices, filed suit against SoCal and others alleging "violation of the Unfair Practices Act, the Cartwright Act and interference with prospective business relations". ✓

SDG&E

SDG&E's witness, Mr. Hunter, testified that SDG&E, too, had experienced a decline in insulation sales in its service area in 1978 and that he was of the opinion that incentives are necessary to stimulate sales in what SDG&E considers a large market. He stated that SDG&E does not agree with the incentive program as set out in Decision No. 88551 because of possible antitrust liability, the failure to limit the program to customers who insulated after April 1977, and the possibility that installation of water heater blankets and showerheads by the utilities might not be cost-effective or practical. SDG&E proposes a cash incentive in the form of a credit of \$25 on the customer's utility bill for those customers who insulate after April 26, 1977, exclusive of new construction, and who send to the company proof of purchase of an approved energy conservation product. The purchase could be made either from SDG&E or a retail merchant. Mr. Hunter was of the opinion that this approach would avoid antitrust liability as well as any exposure for damage to plumbing. The estimated cost of this program is \$32.17 per customer, including \$15 for hardware, as compared to the \$57.71 per customer estimated cost of complying with Decision No. 88551. SDG&E asserts that this high figure is principally due to a clause in its labor contract that requires that any work it normally does be performed either with its employees or by union labor. Such a provision is unique among California utilities. However, in a late-filed exhibit, SDG&E responded that its employees, who could perform the installation of these hardware incentives, would incur an expenditure of \$14.58 per hour, which includes overhead and transportation costs. Using such rates, SDG&E could install these incentive devices within approximately the same total range of costs set forth by PG&E and Edison.

PP&L

PP&L did not participate in the rehearing. The company informed the Commission by letter on October 27, 1978 that it would comply with the provisions of Decision No. 88551 by furnishing and installing at no charge a low-flow showerhead and hot water heater blanket for all customers for whom a Home Energy Analysis has been completed.

Sierra Pacific

Sierra Pacific's witness, Mr. MacKenzie, testified that: (1) due to the extreme temperature ranges in its service territory R-19 insulation is inadequate; (2) by virtue of previous programs most residences already possess R-19 insulation; and (3) some restrictive devices have already been distributed in its service area and consequently there is little interest in low-flow showerheads among its customers. As an alternative to the R-19 insulation level, Sierra Pacific requests that it be allowed to distribute free water heater blankets and a low-flow showerhead to its customers who insulate to a minimum R-49 ^{5/} standard. It estimates the costs for this program would be \$13 for the blanket and \$10 for labor.

The Staff's Position

The staff witness, Mr. Amaroli, was of the opinion that the decline in the installation of residential insulation is not confined to the SoCal service area but is statewide and that there is therefore a need for an incentive program to encourage retrofit insulation. While the staff previously took the position that cash would be the most effective incentive, in the present proceeding, it recommends that hardware incentives be substituted for cash for the reason that such incentives themselves offer energy savings and in some cases equal that of attic insulation.

Mr. Amaroli stated that the incremental cost to the utility for the installation of showerheads and water heater blankets would be approximately \$30 during 1979, which is comparable to the \$25 figure given in Decision No. 88551. The staff estimates

^{5/} On cross-examination Mr. MacKenzie agreed to use an R-38 thermal resistance level as a standard for qualifying insulation.

that the energy saving by using the two devices would be 76 therms where a gas water heater is used, or \$19 per year, assuming a gas rate of 25¢ per therm. The devices would return their total cost by energy savings in two years.

With respect to cash incentives, Mr. Amaroli stated that such could possibly stimulate more retrofit insulation than hardware and with a lesser overall effort on the part of the utility, but that such a program would nonetheless lack the energy savings inherent in hardware.

Mr. Amaroli stated that incentives should be provided to all customers who insulate on or after April 20, 1977 or agree to insulate in the future providing the dwelling was built pursuant to a building permit issued prior to February 22, 1975, after which time insulation was mandated by state law. The April 20 date is related to realizing federal income tax credits.

When questioned about the competitive aspects of the utilities' providing insulation hardware, the witness stated that, in his opinion, such a program would stimulate retail sales of such devices because of an increase in public awareness of their usefulness.

In regard to the specific proposals of the utilities, the staff's brief states the following:

"The staff strongly supports the programs of PG&E, Edison, Sierra Pacific and Pacific Power & Light. These utilities have moved ahead to implement programs under the guidelines established by the Commission in Decision No. 88551 and their programs appear to be cost effective.

"Regarding the program of SoCal, the staff is of the opinion that the cash incentive method is second to hardware incentives in terms of encouraging conservation. Although cash may, in fact, be a better incentive than hardware, the staff still maintains that greater total energy

savings will result from hardware. SoCal gave as its reasons for resisting hardware installation its concern for possible antitrust violations and liability for damages to plumbing. In regard to the latter, the staff would point out that, under cross-examination, SoCal's witness was unable to give any definite projection of liability. Further, neither Edison, which has installed 20,000 water blankets and 9,000 shower heads nor Sierra Pacific, which proposed to wrap water heaters, has experienced or fears any plumbing liability. The antitrust problem appears in a later section of this brief. Nevertheless, the staff is of the opinion that SoCal's plan is a viable alternative to the preferred hardware installation incentive. The staff therefore urges the Commission to allow SoCal to implement its cash incentive plan on an interim basis for 24 months or until the effective date of its next general rate increase, whichever occurs earlier. At that time, the effectiveness of the plan can be evaluated.

"In regard to the proposal of SDG&E, the staff has one principal reservation, the lack of any inspection by the utility of either the insulated attic or of the installed insulation devices for which SDG&E proposes a customer credit. The staff is also of the opinion that a credit on one's utility bill is not as effective as cash in hand, as is the case with the SoCal plan. However, as this proceeding is of an experimental nature and the record is not altogether clear as to which incentives will be the most effective to encourage insulation, the staff is amenable for SDG&E to implement its program on an interim basis along with SoCal, provided that SDG&E inspects 100% of the hardware of the installation, prior to giving the incentive and at the same time offer to inspect the quality of the customer's attic insulation job. SDG&E should present the customer with a certificate of adequate attic insulation for properly completed work and in the alternative assist the customer in obtaining corrective action relative to poor material and/or workmanship."

State Energy Resources Conservation
and Development Commission

ERCDC recommends that conservation devices be used as incentives tied to the mandated audit programs in the NECPA of 1978. ^{6/} It argues that the passage of the Energy Act has diminished the need and value of an incentive program while simultaneously enhancing the impact of residential energy audits.

ERCDC states that should this Commission determine that an insulation incentive in addition to the federal tax credit is needed, that it "broaden the allowable incentives to include both cash and a variety of conservation devices." It stated that such would enhance the flexibility and effectiveness of the program as well as develop useful information on customer attitudes towards various incentives. Finally, ERCDC urges the distribution of conservation hardware through commercial dealers of such devices by use of a voucher system. It is alleged that such use would gain the cooperation of dealers and avoid anticompetitive litigation.

Discussion

With respect to the antitrust issues, all parties to the hearing expressed concern that any incentive program undertaken by the utilities should not subject them to antitrust liability. The reason for the potential liability is that the distribution of insulation hardware, either at no cost or for a fee, will inject the utilities into competition in the retail market with traditional suppliers. SoCal and SDG&E have delayed carrying out the incentive program ordered by the Commission in Decision No. 88551 because of this concern. Conversely, PG&E, Edison, Sierra Pacific, and PP&L are presently distributing hardware incentives. ✓

^{6/} Under the terms of the Energy Tax Act of 1978, a 15 percent tax credit will be available to all homeowners and landlords for residential energy conservation investments worth up to \$2,000. It further requires utilities to offer each of their residential customers an on-site energy audit.

The issue of antitrust exposure is of concern not only to the respondent utilities but to this Commission. There have been a number of decisions dealing with the issue of antitrust liability and state action. (See Parker v Brown (1943) 317 US 341; Goldfarb v Virginia State Bar (1975) 421 US 773; and Cantor v Detroit Edison Co. (1976) 428 US 579; Bates v State Bar of Arizona (1977) 433 US 350; and Rice v Alcoholic Bev. etc. Appeals Bd. (1978) 21 Cal 3d 431.) While extensive discussion of case law is not undertaken here, it is appropriate to note that the doctrine of immunity from antitrust liability for actions undertaken by or at the direction of the state under Parker has been limited severely in recent decisions such as Goldfarb and Cantor. Bates, however, a case which followed Goldfarb and Cantor in time did find an exemption from the Sherman Act on the ground of state action. The Bates decision referred to, and the California Supreme Court apparently adopted, (in Rice) the requirement of "pointed re-examination" of the activity by the state along with its active supervision so as to reduce the likelihood that federal antitrust policy would be unnecessarily subordinated to state policy.

California is faced with the prospect of severe shortages of gas in the future, conservation can mitigate such shortages, and programs designed to mitigate such shortages should be encouraged by those responsible to the public. Retrofit attic insulation is one such conservation technique, and effective incentives are needed to promote greater activity in the attic insulation market. Further, we intend to provide for ongoing, active supervision of all utility conservation programs.

Only one retail merchant testified at the rehearing. Mr. Russell Richards, president of the Pacific Southwest Hardware Association, was of the opinion that direct distribution of hardware was an encroachment on traditional business but did favor incentive programs if they consisted of advertising or cash.

The Commission staff believes that the installation of hardware incentives will stimulate the retail market and will not have an anticompetitive effect. However, in view of the conflicting testimony and the fact that the only direct evidence from a retail merchant was to the contrary, the staff urges the Commission to carefully monitor any antitrust implications which may arise as a result of this decision.

The evidence herein is that certain utilities have operated their incentive programs in such a way as to avoid complaints of any consequence. The utility conservation programs are under the continuous active supervision of the Commission's Energy Conservation Branch which must examine and evaluate the appropriateness of the utility roles. Since overall program examination occurs on an annual basis and during each general rate proceeding, we believe that there will be ample opportunity to reexamine any potential anticompetitive problems which may arise in the future.

We believe that the record clearly shows that there has been a significant decline in retrofit insulation activity in California during 1978. Nearly all witnesses agreed that some form of market stimulation is necessary to accelerate the lagging retrofit insulation programs. Four utilities, PG&E, Edison, Sierra Pacific, and PP&L, favor some form of hardware incentives similar to those required by Decision No. 88551 and, although their individual programs differ somewhat, these utilities have asked for authority to use or continue to use hardware incentives in their residential conservation activities. Such incentives would be either as an inducement for customers to request energy audits or as an incentive for customers who agree to insulate the attics of their homes.

We believe that these programs should continue. While there are certain prohibitions concerning supply and installation of conservation measures under NECPA, there is clearly no question that all were either being implemented or planned well in advance^{7/} of the adoption of the NECPA on November 9, 1978. Therefore, they will qualify for a determination by the Department of Energy for exemption from the prohibitions as provided by Section 216 of Title II.

The record herein, including the testimony of Mr. Richards, does not persuade us that retail sales of conservation devices will decline as a result of the implementation of a reasonably scaled insulation hardware incentive program by the major California gas and electric utilities. Rather, we are convinced that such program will stimulate retail sales of energy saving devices and materials. However, in an abundance of caution, we will only authorize these programs for a limited period of time. This will not impede a full-scale market test of the hardware incentive program but will allow experimentation to determine if in fact, as some witnesses believed, the retail market may actually increase as a result of the proposed utility programs. At or prior to the end of the limited experimental period, we will reevaluate and reconsider these hardware incentive programs before implementing them on a continuing basis.

^{7/} Evidence on this issue is found both in the record in this proceeding and in correspondence in this Commission's files.

With regard to the cash and certificate programs of SoCal and SDG&E, there is no possibility that these activities will cause any anticompetitive problems since no hardware is supplied directly by either utility.

We would not authorize cash as an incentive were it not for the overwhelming evidence of a real need to accelerate the insulation retrofit program in the area served by SoCal. We agree with the staff witness and other witnesses who testified that, while cash is a powerful and the most attractive incentive, it does not automatically lead to added energy conservation on a continuing basis.

We are, however, persuaded to permit a limited trial of the \$50 cash incentive to allow SoCal the opportunity to prove that it can use cash to reach significantly higher levels of insulation market penetration than can be achieved through the use of hardware incentives.

SDG&E's offer to provide a \$25 cash credit on a customer's bill upon receiving proof of retrofit insulation and purchase of conservation hardware is more appealing to us and it is supported by California Energy Commission witness Gill. Staff witness Amaroletti also offered some support for SDG&E's program provided 100 percent inspection of the installed hardware and insulation work was performed by utility personnel. One witness, Mr. Honick for the Insulation Contractors Association (ICA), did object to utilities inspecting insulation installed by contractors, but he did not extend this objection to insulation installed by the customer. Mr. Honick did not cross-examine the staff nor did ICA file a brief to reinforce this point of objection. We agree with staff that the inspection program is worthwhile, and

we also recognize that on-site insulation inspection will assure the customer that the insulation work was properly done. We believe that the SoCal and SDG&E programs will comply with NECPA.

Since the oil embargo of 1973 we have been faced with continually declining energy supplies and substantially increased costs for available energy sources. The need for utility retrofit attic insulation programs has been well-established in prior decisions in this and in other formal proceedings before the Commission and the reasons therefor need not be repeated here. The record is clear that there is a need to further encourage energy conservation, and that attic insulation is one of the most effective means to conserve energy.

California now requires (for building permits issued after February 22, 1975) ceiling and wall insulation in all new dwelling units. This Commission has, as a continuing policy, encouraged all cost-effective retrofit insulation activities. In addition, NECPA will require utilities to offer residential energy audits and engage in residential weatherization programs as a national policy.

We will, therefore, authorize the respondent utilities to provide incentives to customers to accelerate the lagging retrofit insulation market. These incentive programs will be for

a limited period of time, up to 24 months or until the final disposition of each utility's next rate proceeding, whichever occurs earlier. We will not reconsider the matter of insulation incentive programs in rate proceedings now pending before us except to include reasonable expenses in the final rate orders to allow the utilities to carry out such programs in a cost-effective manner.

Funding of Incentive Programs

PG&E was authorized increases in rates sufficient to carry out a reasonably substantial insulation (hardware) incentive program for 1979 in Decision No. 89316, and has pending before us a general rate proceeding for test year 1980. Therefore, no authorization for increased rates is necessary at this time.

Edison was authorized increases in rates by Decision No. 89711 sufficient to carry out its ongoing "Electric Water Heater Wrapup Program" during 1979 and 1980. Therefore, no authorization for increased rates is required at this time.

SoCal was authorized \$11,592,700 for test year 1979 by Decision No. 89710 for its insulation incentive programs. This same level of funding will be available to SoCal in 1980 at current rates, thus no additional authorization of funds is required.

SDG&E's pending general rate proceeding (with test year 1979) Application No. 58067 has been submitted; however, a final decision has not yet been issued. SDG&E requests that reasonable funding for expenses related to any authorized incentive program be included in the final rate order. We agree and will include, in rates, funding sufficient to provide 26,460 \$25 certificates and \$7.01 for each certificate inspection. This level of funding in the amount of \$346,985 on an annualized basis would permit SDG&E to achieve 90 percent saturation of its estimated potential of 147,010 insulatable households over a five-year period, as represented by the testimony and exhibits of SDG&E witness Hunter.

We do not intend to include additional sums for other activities or start-up related costs, as we believe that a 90 percent saturation level is very optimistic and a shortfall will likely result allowing ample cost-effective program expenses and start-up costs to be spread over the program period.

Sierra Pacific and PP&L have not requested additional rate considerations as a condition of incentive program implementation. We recognize that these utilities have budgeted sums for energy conservation programs, and we have heretofore included expenses for such activities in setting rates for these utilities. No additional rates have been requested by these utilities in this proceeding and none will be considered for their hardware programs until their next general rate proceeding is decided.

Sierra Pacific should provide its electric water heating customers with a water heater insulation blanket and a high quality low-flow showerhead ^{8/} either as part of a "Wrapup Program" similar to that of Edison, or in connection with an on-premise residential energy audit, as now done by PP&L.

CP National Corporation and Southwest Gas Corporation did not participate in this rehearing. We nonetheless will permit them to implement hardware programs similar to those of PG&E for gas heating customers and PP&L or Edison for electric heating customers. ✓

8/ To be provided and installed where the previously provided flow-restrictor is missing or the customer finds its continued use unacceptable because of poor shower spray pattern.

Other Incentives

Finally, ERCDC witness Gill directed attention to the now available federal tax credit for conservation measures, resulting from the tax provisions of recently enacted Energy Tax Act of 1978, as an added incentive for utility customers to undertake conservation measures. We agree and urge all energy utilities to inform and periodically remind their customers of the tax credit advantages available to them for undertaking conservation measures.

Findings of Fact

1. The continually declining supplies of traditional energy sources and substantially increased costs for available energy sources have caused repeated energy shortages and an urgent need for effective energy conservation activities.
2. It is the policy of the state and the federal government to encourage the conservation of energy.
3. One of the most effective means of conserving energy is by retrofit of residential attic insulation, which is presently required in new construction by state law.
4. Utilities should assist in encouraging the installation of retrofit insulation, as well as other cost-effective energy conservation measures which can help mitigate future energy shortages.
5. The market for residential retrofit insulation has declined during the past two years and is currently sluggish. As a result, the Commission's goals for achieving energy conservation are not being realized.
6. An effective incentive is required to promote greater activity in the insulation market. Conservation hardware is a superior incentive to cash because installation of such hardware will provide additional energy conservation, whereas cash will not.
7. Cash as an incentive has the potential to cause persons not otherwise motivated to insulate to do so.

8. There exists in California an established retail market for conservation hardware and a program of utility distribution of conservation hardware will stimulate the retail market.

9. There is a need for the installation of insulation and conservation hardware to conserve energy at a time when pending energy shortages seriously threaten the state and the nation. Periodic reporting to the Commission by the respondent utilities on the results achieved and problems encountered in implementing their respective incentive programs will allow the Commission to become aware of and to consider any anticompetitive effects which might arise from the installation of conservation hardware by the respondent utilities. ✓

10. A large-scale hardware-oriented insulation incentive program is reasonable on a limited (24 months or less) basis to determine its impact on retrofit attic insulation and on the conservation hardware retail market.

11. PG&E has recommended a reasonable hardware-oriented retrofit insulation incentive program.

12. Edison and PP&L have developed reasonable conservation hardware programs for their electric heating and water heating customers.

13. Sierra Pacific has recommended an acceptable insulation incentive program which needs to be implemented and expanded if saturation of retrofit insulation continues to be lagging. ✓

14. SDG&E's \$25 certificate credit for conservation hardware installed in connection with R-19 level attic insulation is an acceptable alternative to the PG&E recommended hardware program, but only if it is conducted with full inspection of installed insulation and other conservation hardware. ✓

15. SoCal's \$50 cash and SDG&E's \$25 certificate incentive programs are free of potential anticompetitive effect in the retail hardware market because no hardware will be provided directly by these utilities.

16. It would be in the public interest to authorize CP National Corporation and Southwest Gas Corporation to implement incentive hardware programs similar to those recommended by PG&E for gas heating customers and by Edison and/or PP&L for electric water heating customers.

17. All incentive programs hereinafter authorized should be for a limited period subject to reconsideration by this Commission within 24 months, or in the next general rate proceeding filed by the respondent utilities after the effective date of this order, whichever occurs earlier.

18. PG&E has received funding in rates sufficient to implement its proposed program for 1979.

19. Edison and SoCal have received funding in rates sufficient to carry out their incentive programs as may be authorized herein for 1979 and 1980.

20. SDG&E should be authorized an annualized amount of \$846,985 in the final determination of Application No. 58067 for implementing its certificate and installation follow-up inspection program.

21. No other utility has requested rate relief and none should be authorized herein.

22. Careful accounting should be maintained of the number of retrofit insulation and devices installed as well as expenses incurred with this program for reporting to this Commission, to assure that expenses are being incurred in a cost-effective manner.

23. Funds authorized in rates for customer incentive programs which are not expended for these programs will be made subject to refund upon termination or completion of the program.

Conclusions of Law

1. The continually declining energy supplies and substantially increased costs of available energy sources have caused repeated shortages thus requiring acceleration of the installation of retrofit ceiling insulation in uninsulated dwellings to achieve reasonable energy conservation goals.

2. Incentive programs using conservation hardware can help to stimulate the now sluggish retrofit insulation market and can provide added energy conservation.

3. The public interest served by increased retrofit insulation, and the energy savings which will result through the installation of conservation devices, clearly outweighs any possible anticompetitive effects which may arise from implementing the incentive programs authorized herein.

4. A time limit for the initial large-scale hardware incentive program will assure that no long-term serious disruption of existing hardware sales will result because of this Commission's insulation incentive program.

5. The \$25 certificate to be offered by SDG&E, upon inspection after the installation of conservation hardware and retrofit attic insulation and the \$50 cash incentive to be offered by SoCal, will not be anticompetitive since no hardware is being provided directly by these utilities under their proposed programs. ✓

6. It is reasonable to allow SDG&E and SoCal to carry out limited term incentive programs which do not include direct utility installation of conservation hardware as a means of comparing overall energy conservation results of the utilities' insulation program efforts with and without direct utility involvement in the installation of energy conservation hardware.

7. PG&E's hardware-oriented incentive program should be authorized.

8. Sierra Pacific's insulation incentive plan as proposed, and an expanded version thereof to further cope with the continually lagging retrofit insulation market, should be authorized.

9. SoCal's \$50 cash incentive plan for retrofit insulation should be authorized on a trial basis for no more than 24 months.

10. All other major California energy utilities should be authorized to provide and install energy conservation hardware incentives to promote retrofit attic insulation.

11. Progress reports, including the number of retrofit insulation jobs completed, the number of hardware devices installed by type, and the expenses incurred as well as any problems encountered, should be filed with this Commission on a quarterly basis to apprise the Commission of the cost-effectiveness and of any legal or practical problems which may arise in connection with the programs ordered herein.

12. The following order should be effective the date of signature in order to expeditiously allow utilities to commence incentive programs that can stimulate retrofit attic insulation and produce energy conservation.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized, subject to the Commission's continuing review, to furnish and install, free of charge to its customers who install attic insulation pursuant to the provisions of this decision, one high-quality low-flow showerhead and one water heater blanket. These hardware devices may be offered to all customers who have insulated their attics to the R-19 thermal resistance level after April 20, 1977, provided the customer's dwelling was constructed with a building permit issued prior to February 22, 1975.

2. PG&E may offer alternate cost-effective conservation hardware devices of equal value if the customer has already installed the devices prescribed above.

3. Southern California Edison Company (Edison) may continue to furnish and install, free of charge, one high-quality low-flow showerhead and one water heater blanket to electric water heating customers requesting them. ✓

4. Pacific Power & Light Company (PP&L) may continue to offer, and install, at no charge, one high-quality low-flow showerhead and water heater blanket for any residential customer for whom an energy use analysis has been completed.

5. Sierra Pacific Power Company (Sierra Pacific) is authorized to furnish and install, at no charge, water heater blankets to its customers who have insulated their dwellings to the R-38 thermal resistance level. This incentive may be offered to all customers who have insulated their dwellings after April 20, 1977. In addition, Sierra Pacific shall offer to inspect the condition of existing showerheads with flow restrictors and may replace any units found unsatisfactory without charge to the customer. Sierra Pacific is also authorized to implement programs similar to those of Edison and/or PP&L for its electric heating customers.

6. CP National Corporation is authorized to implement a program similar to that of PG&E for its gas heating customers and of Edison and/or PP&L for its electric heating customers.

7. Southwest Gas Corporation is authorized to implement a program similar to that of PG&E for its gas heating customers.

8. San Diego Gas & Electric Company is authorized, after full inspection of installed insulation and conservation hardware, to offer a certificate good for \$25 discount on the next utility bill/bills to any customer who has insulated his/her attic to the R-19 thermal resistance level after April 20, 1977; provided the dwelling was constructed with a building permit issued prior to February 22, 1975 and further provided that the customer has installed other conservation hardware worth at least \$25 based on normal retail prices.

9. Southern California Gas Company is authorized to provide \$50 in cash to any customer who has insulated his/her attic to the R-19 thermal resistance level after April 20, 1977 provided the dwelling was constructed with a building permit issued prior to February 22, 1975.

10. All respondent utilities shall, during 1979, by means of a bill insert, inform their customers of the additional federal tax credit benefits available for weatherization activities resulting from the passage of the Energy Tax Act of 1978.

11. All incentive programs authorized herein will be implemented for a limited term of 24 months from the effective date of this order unless earlier extended, amended, or discontinued by further order of this Commission.

12. All respondent utilities are hereby directed to file quarterly reports detailing the number of retrofit insulation jobs completed, the method used to advise customers of the availability of incentives, the number of incentives by type installed, the number of cash incentives or certificate credits given, and the program expenses incurred for the quarter and cumulative to date for the program. These quarterly reports shall be filed within thirty days after the close of each calendar quarter and shall include a narrative of any significant problems experienced or complaints received. These reports shall be directed

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to the Energy Conservation Branch. The first report shall be filed on or before July 30, 1979 for the calendar quarter ending June 30, 1979.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 22nd day of MAY 4, 1979.

John E. Coyle
President
Veronica L. Higgins
Richard D. Russell
Clayton J. Smith
James L. ...
Commissioners