ALJ/ks

Decision 93885 DEC 17 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Investigation on the Commission's own motion into the feasibility of establishing various methods of providing low-interest, long-term financing of solar energy systems for utility customers.	)	OII 42 (Filed April 24, 1979)

ORDER RETAINING AND MODIFYING LIMIT ON SOLAR LOANS

Hearings on interim Decision (D.) 93774 (November 23, 1981) were held in Los Angeles before Administrative Law Judge Robert T. Baer on December 10 and 15, 1981. Testimony was received from representatives of the solar industry, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCal), and the Commission staff.

The evidence consistently showed that average cost of solar hot water heating systems being installed exceeded the cost by a significant margin the Commission assumed before the 6% solar loan program began. While the evidence of outright abuses by the solar industry is minimal, we continue to be concerned that the cost to SoCal's ratepayers of the 6% loan program is much higher than we anticipated. We are imposing this modification because of our concern with keeping demonstration program costs as low as reasonably possible. We conclude, therefore, that the limit of $4,000, which we imposed on 6% solar loans in D.93774, should be retained but that amounts may be loaned in excess of $4,000 at 16% interest per year or the maximum allowed by the California Usury Law, whichever is the lesser rate.

The Loan for Installation in Excess of $4,000

The first $4,000 of loans will be for 6%. For any loan amount in excess of $4,000, the rate of 16% per annum, or the maximum rate allowed under the California Usury Law, if 16% exceeds the rate allowed by the Usury Law, will apply.

If SoCal experiences debt costs associated with the solar program that are greater than the allowed interest cost herein, the under- or overcollection on this second tier amount (in excess of $4,000) will be reflected in the solar financing cost balancing account.

We recognize that today's modifications require some changes in SoCal's procedures. SoCal is advised that we expect the changes to be implemented as soon as possible.

Findings of Fact

1. The average cost of a solar system we assumed in D.92501 (December 5, 1980) was $3,000 (D.92501, Appendix B, p. B-5).

2. The mean cost of 100 randomly selected solar systems installed under PG&E's rebate program before March 1, 1980 is $3,032 (Exhibit 135).

3. The mean cost of 100 randomly selected solar systems installed under PG&E's rebate program after March 1, 1981 is $3,269 (Exhibit 135).

4. The mean cost of 263 solar systems installed under SDG&E's rebate program in the early to mid-1980 time period is $3,093 (Exhibit 136).

5. The mean cost of 216 solar systems installed under SDG&E's rebate program in the mid-1980 to December 31, 1980 time period is $3,468 (Exhibit 136).

6. The mean cost of 76 solar systems installed under SDG&E's rebate program on or after March 1, 1981 is $3,298.

7. The mean cost of solar systems in SoCal's 6% loan program, based upon the first 9,500 loan applications, is $4,700 (Exhibit 139).

8. Approximately 2,900 loan applications have been renegotiated to $4,000 or below as a result of the interim loan limit set by D.93774.

9. Every dollar of capital not loaned to SoCal's customers to purchase solar systems under the 6% loan program saves SoCal's general ratepayers $.69 (Exhibit 135).

10. An applicable interest rate of 16% per annum, unless that rate exceeds the amount allowed under the California Usury Law, will best ensure SoCal recovers its cost of money on loan amounts over $4,000.

Conclusions of Law

1. The $4,000 limit on loans by SoCal under the 6% loan program should be retained.

2. Loans of $4,000 at 6% interest with any excess at 16% interest or the maximum rate allowed by law, whichever is the lesser rate, will balance the interests of SoCal's ratepayers and the solar industry.

3. Because the installation of many solar systems has been delayed by D.93774, the following order should be effective today, and signed without notice on a public agenda, to allow immediate processing of loan applications.

4. This matter is an unforeseen emergency condition and should be considered off the Commission's regular public agenda in order to allow as many solar systems as possible to be installed this year and thus qualify for the federal and state tax credits.

O R D E R

IT IS ORDERED that:

1. The $4,000 limit on loans by Southern California Gas Company (SoCal) under the 6% solar loan program is retained.

2. Prospectively, for loan offers not yet mailed to customers, the amount of loans in excess of $4,000 shall be assessed an interest rate on a per annum basis of 16%. If, however, 16% exceeds the interest allowed by the California Usury Law when the loan is made, the rate that applies is the maximum allowed that month under that law.

3. While some delay may result as SoCal prepares to process loans in excess of $4,000, SoCal shall immediately process loan requests under $4,000.

4. SoCal shall file a report within 20 days on the status of the loan program, to be served on all appearances. In no event shall SoCal process any loan applications that are not within the initial 9,500 applications submitted until further order of the Commission.

5. If there are debt costs associated with the solar program that are greater than the allowed interest cost herein, the over- or undercollection on the second tier amount (in excess of $4,000) will be reflected in SoCal's conservation cost adjustment account.

This order is effective today.

Dated DEC 17 1981, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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

Joseph E. Bodovitz, Executive Director