

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3007
September 4, 1986

RESOLUTION

ORDER AUTHORIZING PACIFIC POWER & LIGHT COMPANY (PP&L)
TO ESTABLISH A NEW THREE-YEAR DEMONSTRATION PRICING
OPTION, SCHEDULE NO. DC-7 ENTITLED RESIDENTIAL SERVICE
EXPERIMENTAL CLEAN AIR/WOOD HEAT MONTHLY CREDIT OPTIONAL
FOR QUALIFYING CUSTOMERS.

SUMMARY

By Advice Letter 194-E, filed July 23, 1986, Pacific Power and Light Company (PP&L) requests authority to establish a reduced cost-of-electric-space heating rate for customers who have the capability of utilizing wood as well as electricity for space heating. The intent in offering this rate is to determine how much of the electric load lost to wood-heat in recent years can be regained with a competitive rate.

ANALYSIS

The proposed rate is to be available for three years on an experimental basis in PP&L's California Service area. In order to participate a residential customer must have the capability for primary space heating by using either electricity or wood.

Participating customers will be billed from a new rate Schedule DC-7, which offers electricity at 50% of the present residential rates Schedule D. This reduced rate is only applicable to electricity consumed during the heating season in excess of that consumed during a Base Period (the preceding heating season will be used for qualification).

Customers may qualify during the three-year test period as follows:

- A. Residences built on or after January 1, 1978, automatically qualify for a full three years of participation provided they have the level of weatherization required by building codes at the time of construction.

B. Residences built prior to January 1, 1978, automatically qualify for first-year participation only. Second-year participation is permitted following a company-sponsored weatherization inventory (energy audit).

C. Third-year participation is permitted after the dwelling is retrofitted to meet specified levels of weatherization found necessary by the audit.

The rate as proposed by PP&L would be fifty percent (50%) of its otherwise applicable electric Baseline and Second Tier rates for all usage in excess of Base Period usage.

PROTESTS RECEIVED AND RESPONSES

Two protests were filed against PP&L's Advice Letter. The first, by the PUC's Public Staff Division (PSD), and the second, by Mr. Ralph Cavanagh, Senior Staff Attorney of the Natural Resources Defense Council (NRDC).

A. PSD questioned the legality and the economics of the proposal and recommended that the Advice Letter be modified to the effect that instead of "an experimental monthly credit equal to fifty percent of the applicable net rate," it should be "an experimental monthly credit equal to fifty percent of the net second tier residential rate."

In response to PSD PP&L filed a Supplement to Advice Letter 194-E dated August 18, 1986, stating it is willing to accept the proposed PSD modification which, at present rates, would produce a net effective rate of 4.543 cents per kWh that would be applicable to all kilowatt-hours that exceed consumption which occurred in the corresponding Base Period billing. However, PP&L does not agree with the concerns raised by the PSD about the legality of the proposal. It is PP&L's belief that this experimental program is fully consistent with the Public Utilities Code.

B. NRDC in its protest stated that while NRDC applauds the goals of PP&L's proposal, it is concerned with the means PP&L proposes to use to achieve these goals and suggests some changes which NRDC feels would significantly improve the program's prospects for success. NRDC's comments are based on present activity on a similar program placed before the Oregon PUC by PP&L. NRDC states

that its proposed changes were also suggested by various parties during the review of the Oregon program. NRDC's principal concern is that the program should be concentrated in a specific part of the utility's service area as a test program.

While agreeing with some of the suggestions of NRDC, PP&L believes that it is essential to implement this proposed tariff in all areas of its California service territory in order to adequately evaluate the program since PP&L's Oregon service area contains a number of densely populated areas while its California territory does not, and PP&L's California service area contains only about 30,000 residential customers.

PP&L'S PROPOSED ALTERATIONS

PP&L's proposed alterations to the California program include the following:

- (a) Expands applicability from single family residences to include any residence which qualifies.
- (b) Limits eligibility to residences which otherwise qualify and which have an installed electric space heating appliance and an installed woodstove or fireplace insert or derive all space heat from a fireplace.
- (c) Company verification by audits of homes built prior to January 1, 1978.
- (d) Homes served by fuel oil or propane have been declared ineligible.
- (e) Weatherization will be based on cost-effectiveness of measures.
- (f) Program evaluation will address electrical sales and net revenue, weatherization activity, electrical use and appliance purchases other than displacement of wood heat and air quality.
- (g) The discounted net effective rate under the revision will be 4.543 cents per kWh, at present rates.

DISCUSSION

The staff of the Energy Branch of the Evaluation and Compliance Division has reviewed this Advice Letter filing and the Supplemental Advice Letter filing and recommend its approval. However, the Energy Branch would prefer to see a rate of 4 cents per kWh applied for this experimental application, since that lower 4 cent-rate is more closely tied to the cost of wood, for equivalent heat, available on the open market in PP&L's California service area of \$70.00 per cord. Discussions with PP&L's representatives confirm that it, too, would prefer a lower average per kWh experimental rate, however, in an effort to place this program into operation for the Fall of 1986, PP&L felt it should demonstrate its willingness to accept the 4.543 cents per kWh rate proposed by PSD at 50% of the current Second Tier level. In this respect, PP&L specifically stated:

"Although the Company feels that the modification to the pricing structure proposed by the PSD reduces the incentive offered by the program, the Company is willing to accept the modification in order to facilitate Commission approval. In other words, the Company will change the Experimental Monthly Credit to fifty percent (50%) of the Non-Baseline Net Energy Charge."

FINDINGS

1. The protests filed by PSD and NRDC were reviewed by PP&L and all reasonable recommendations to amend the proposed tariff Schedule DC-7 have been incorporated in its supplemental advice filing and in this Resolution.
2. This alternative rate for space heating offered by PP&L on an experimental basis should help reduce air pollution now experienced as a result of burning wood for heating purposes in its California service area.
3. The experimental rate proposed under Advice Letter and Supplemental Advice Letter No. 194-E will be effective for only the 1986-87, 1987-88 and 1988-89 Winter heating seasons unless earlier discontinued or later extended by further order of this Commission.
4. This filing will not increase any rate or charge, cause the withdrawal of service, nor conflict with other schedules or rules.

THEREFORE:

1. Pacific Power and Light Company is authorized by Section 454 of the Public Utilities Code and by Section X.A. of General

Order 96-A to place the experimental rate set forth in Advice Letter and Supplemental Advice Letter 194-E, and accompanying tariff sheets into effect today.

2. Pacific Power and Light Company is directed to report, to the Chief of the Energy Branch of the Evaluation and Compliance Division, its experience during this period of program availability with semi-annual reports, which will analyze the program's effects on energy use and on weatherization activity.

3. The experimental rate authorized herein will be discontinued on June 1, 1989, unless earlier terminated or extended by further order of this Commission.

4. Advice Letter No. 194-E and Supplemental Advice Letter No. 194-E shall be marked to show that it was approved for filing by Commission Resolution E-3007. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 4, 1986. The following Commissioners approved it:



Executive Director

VICTOR CALVO
PRISCILLA C. GREW
FREDERICK R. DUDA
STANLEY W. MULETT
Commissioners