

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3018
October 21, 1992

R E S O L U T I O N

RESOLUTION G-3018. SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) AND SOUTHERN CALIFORNIA EDISON COMPANY (EDISON) REQUEST AUTHORITY TO APPROVE AN INTER-UTILITY AGREEMENT FOR SOCALGAS TO ADMINISTER EDISON'S LOW-INCOME WEATHERIZATION PROGRAM. BY ADVICE LETTERS 2135 AND 960-E, FILED AUGUST 19, 1992.

SUMMARY

1. By Advice Letters 2135 and 960-E, filed August 19, 1992, Southern California Gas Company (SoCalGas) and Southern California Edison Company (Edison) request approval of a recently executed Inter-Utility Agreement for SoCalGas to administer Edison's Low-Income Weatherization Program in areas where the two utilities' service territories overlap. In addition, Edison requests permission to shift \$3.98 million of previously authorized Direct Assistance Weatherization funds from the Shared Savings Category to the Expensed Category. These funds will be utilized in its Low-Income Weatherization Program.
2. This resolution authorizes SoCalGas' and Edison's request.

BACKGROUND

1. Both Edison and SoCalGas are currently authorized by the Commission to operate separate weatherization programs for low-income customers. However, the Commission issued Resolution E-3263 dated March 31, 1992, which directed energy utilities to determine overlapping service territories and to develop plans to share customer information to maximize low-income ratepayer assistance and low-income weatherization programs. Edison and SoCalGas have overlapping service territories.
2. SoCalGas and Edison have submitted for approval a recently executed Inter-Utility Agreement for administration of Low-Income Weatherization Programs. Both utilities, Edison by D.91-12-076 dated December 20, 1991 (1992 GRC) and SoCalGas by D.90-01-016 (1990 GRC) dated January 9, 1990, were authorized to

undertake energy education and direct assistance programs for low-income customers.

3. The Agreement proposes to have SoCalGas administer Edison's low-income weatherization program in areas where the two utilities' service territories overlap. It is expected to reduce costs for both utilities, benefiting their customers and other ratepayers. Edison expects to experience a savings of approximately \$600,000 and SoCalGas' savings are estimated to be up to \$271,000 over the life of the Agreement. SoCalGas' savings will be redirected to other Direct Assistance Program elements.

4. Edison states that the savings accrued through the Inter-Utility Agreement will be used to weatherize additional homes and provide new on-site energy education services to program participants. Additionally, shared customers with a mix of gas and electrically fueled appliances will receive full weatherization services for the first time.

5. Edison requests permission to shift \$3.98 million of previously authorized Direct Assistance Weatherization funds from the Shared Savings Category to the Expensed Category. Edison requests authority to utilize these funds to have SoCalGas administer Edison's Low-Income Weatherization program as described in the Inter-Utility Agreement, a copy of which is attached to both advice letter filings.

6. The initial term of the Agreement is from the effective date of the Commission's authorizing order until December 31, 1993. The Agreement may be terminated by either party upon 60 days written notice. The two utilities request that the filings be made effective, under Section 491 of the Public Utilities Code, on less than statutory notice so the necessary programmatic changes can be made prior to the start of the heating season.

NOTICE

1. Public notice of these advice letters were made by publication in the Commission calendar, and by SoCalGas' and Edison's mailing copies to other utilities, governmental agencies, and all interested parties who requested notification.

PROTESTS

1. Four protests to Advice Letters 2135 and 960-E were filed: Lyndale Heating & Air Conditioning (Lyndale), Contractor, Renaissance Inc. (Renaissance), and Priority One/H&L (H&L) on September 8, 1992, and Insulation Contractors Association (ICA) on September 9, 1992. Three protestors are private licensed contractors and ICA is a voluntary non-profit organization composed of California contractors who perform insulation and weatherization work. The East Los Angeles Community Union (TELACU) filed on September 11, 1992, in support

of the advice letters. TELACU is a licensed non-profit community based organization (CBO). Both utilities have responded to these protests in an overall position; Edison by letter dated September 15, 1992, and SoCalGas by letter dated September 17, 1992.

Summary of Lyndale Protest

- (a) The inter-utility agreement is in direct violation of S.B. 848, Chapter 984, Section 1, of 1983 statutes, and 7042.1 of State Licensing Law;
- (b) The spirit of competition and freedom of entry is in the best interests of the energy conservation industry and all concerned parties; and
- (c) All qualified entities other than the 22 community based organizations already in place will not be allowed to bid and participate in the combined low-income program.

Summary of Renaissance Protest

- (a) The cost savings estimates are not realistic.
- (b) All existing contractors are already trained at little or no cost to Edison;
- (c) Training of CBOs by SoCalGas to do additional measures for Edison will be very expensive; and
- (d) Non-profit CBOs are usually paid more than "for profit" private contractors.

Summary of H&L Protest

- (a) Raises issues of anti-competitiveness;
- (b) Discriminates against otherwise qualified Edison customers who reside outside of SoCalGas service territory;
- (c) Forces all electric ratepayers to subsidize SoCalGas operations;
- (d) Raises legal issues of potential interference with prospective contractors;
- (e) Places Edison ratepayers at financial risk eliminating SoCalGas' liability for errors and omissions; and
- (f) Thwarts Edison's efforts to explore and implement more cost effective advanced weatherization techniques.

Summary of ICA Protest

- (a) Recommend that the joint program proceed, but with three substantive changes:
 - (1) That Edison keep a proportionate share of its low-income weatherization program for its service territories outside of SoCalGas;
 - (2) That it promote competition; and
 - (3) That SoCalGas negotiate agreements with CBOs that clearly show how their state funded low-income weatherization programs relate to the utility funded programs.

Summary of TELACU Support

- (a) TELACU supports the advice filings and urges the Commission to dismiss the protests based on the following:
- (1) The advice letter filings are consistent with previous Commission decisions and directives (D.91-12-076, D.90-01-016, and Resolution E-3263) and was filed in response to the Commission's directive to find areas of inter-utility cooperation and to implement program efficiencies;
 - (2) That protestants contain allegations based on hearsay, misinterpret existing statutes, ignore previous Commission decisions, misunderstand the benefits to Edison and SoCalGas ratepayers, and raise issues which are irrelevant to the instant advice letters.
 - (3) That delaying approval of the advice letters to address any of the issues raised by the protesters delays the realization of program efficiencies mandated by previous Commission decisions.

DISCUSSION

1. CACD has reviewed Advice Letters 2135 and 960-E for compliance with Commission policies set forth in previous decisions and resolutions.
2. In a prior proceeding (D. 90-01-016, Conclusion 22 and Ordering Paragraph 7) the Commission adopted a settlement between SoCalGas, DRA and Cal-Neva for SoCalGas' weatherization program. By this resolution the Commission would be extending that settlement to cover the partnership with Edison. CACD observes that this is reasonable and expedient to provide these customer programs.
3. Overall, Edison expects reduced program costs and increased customer services, enabling it to do more low-income weatherization. SoCalGas expects to achieve cost avoidance through Edison's participation in sharing costs of repair and replacement services for gas-pacs (gas heating-electric cooling units) and by sharing energy education expenses with Edison. Customers and ratepayers will benefit from increased integration of weatherization services.
4. In response to Lyndale's protest, the intent of SB 848, Chapter 984, Section 1, of 1983 statutes, is to prevent regulated utilities from dominating the energy conservation business by unfairly using their status as monopolies. It was also the intent of the Legislature that the Public Utilities Commission be given a clear and explicit mandate to regulate the involvement of regulated energy utilities in energy conservation development. Business and Professions Code Section 7042.1 prohibits utilities themselves from performing work for which a contractor's license is required, subject to certain exceptions.

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One of the exceptions is for work which is "performed for low-income citizens pursuant to a program authorized by order of the Public Utilities Commission," such as through CBOs.

5. The specific details for a utility's low-income weatherization program are decided upon by the utility. Once a specific program is settled upon, the utility brings the plan to the Commission for review. The Commission's review of a plan takes many different factors into account. In light of the issues raised in protest, CACD would suggest that SoCalGas and Edison must address the competitive aspects of selecting CBO's and private contractors in the next general rate cases for each company. Competitive bidding, including pre-qualifying bidders, as is done in many other utility procurement matters, would greatly expedite the next round of programs and would ensure the most cost effective choice.

6. In its response to H&L and ICA protests, Edison states that there never was any intent to cease providing low-income weatherization activities in areas not covered by SoCalGas and that Edison will continue its existing program in those areas.

7. In SoCalGas' response to the protest:

(a) SoCalGas wishes to make clear that all costs billed to Edison will strictly reflect actual costs to SoCalGas for incremental program costs, including administrative costs resulting from incorporating the administration of Edison's low-income weatherization program into SoCalGas' Direct Assistance Program. There will be no shifting of costs from SoCalGas ratepayers to Edison ratepayers or from Edison to SoCalGas. All savings to either company will be the result of economies of scale and economies of aggregation, not of shifting costs from one company to the other.

(b) The \$271,000 which SoCalGas projects as savings are not a transfer of costs from SoCalGas' gas-only customers to Edison's electric-only customers. Rather, it is an avoidance of costs which SoCalGas would have incurred if it were providing only gas-related weatherization and energy education benefits to the dual energy (gas and electricity) customers in the overlapping service areas. Edison's sharing of the costs for the expanded weatherization and energy education benefits being provided through the joint utility program is equitable - Edison's customers as well as SoCalGas' are the beneficiaries.

(c) In response to the allegation that SoCalGas' weatherization program varies dramatically from Edison's weatherization program, in its DSM report SoCalGas addresses the Big 6 weatherization measures (The Big 6 is the nominal designation for a group of mandated weatherization measures common to all energy utility programs), supplemental measures, and the Appliance Repair and Replacement Program. There are only three weatherization measures in Edison's program that SoCalGas does not have: vent dampers for range hoods, caulking around outlets on ducted heating systems, and sunscreens. These will be included under the Inter-Utility Agreement.

(d) SoCalGas disagrees with the allegation that if the Commission approved the Agreement, it would be supporting an anti-competitive program because SoCalGas carries out its program through CBOs. Consistent with Section 7042.1(a)(2), the Commission approved SoCalGas' current Direct Assistance Program in its 1990 General Rate Case D.90-01-016. At page 63 of that decision, the Commission described how SoCalGas' program was to operate in accordance with the agreement between SoCalGas, DRA and Cal-Neva:

The reasons are stated in Discussion Paragraph 5 above. Direct Assistance service providers will be selected to cover specified geographic areas in SoCalGas' service territory. Each service provider would then perform any or all of the services for which it is qualified, or it may subcontract any of the services to qualified contractors.

Ordering Paragraph 7 of D.90-010016 stated:

The agreement between SoCalGas, DRA, and Cal-Neva on the Direct Assistance Program, which includes program costs of \$20.546 million is adopted.

8. The program is consistent with the approved Agreement. Licensed private contractors have the opportunity to participate in the program as subcontractors to the service providers, as described in the Commission decision. In their next general rate proceedings, SoCalGas and Edison must demonstrate that there is reasonable competition for private contractors for more than just sub-contractor participation.

9. Under SoCalGas' low-income Appliance Repair and Replacement Program, licensed private contractors perform work on gas ranges, water heaters and furnaces. Approximately 5,500 appliances per year are repaired or replaced. The bid process in 1992 was open to over 2,000 private contractors holding C-20 and C-36 licenses. Over 20 are currently under contract to perform this work.

10. The weatherization agencies all have "B" licenses, except for three that have been exempted by the Contractors State License Board. There are also five private licensed insulation contractors that are subcontracting. Therefore, even though it is exempt from the requirement to use licensed contractors, SoCalGas' low-income program is in compliance with the intent/spirit of the provisions that do require the use of licensed contractors. SoCalGas fully believes it is in compliance with the intent of competitive bidding which is to achieve low prices and quality work.

11. Except as noted above, the advice letter filings will not increase or decrease any rate or charge, cause the withdrawal of service, or conflict with any schedules or rules.

FINDINGS

1. On August 19, 1992, SoCalGas and Edison filed Advice Letters 2135 and 960-E, respectively, requesting approval of an Inter-Utility Agreement for SoCalGas to administer Edison's Low-Income Weatherization Program in areas where the two utilities' service territories overlap.
2. Edison also requests permission to shift \$3.98 million of previously authorized Direct Assistance Weatherization funds from the Shared Savings Category to the Expensed Category as authorized in D.91-12-076.
3. Both Edison, by D.91-12-076 dated December 20, 1991, and SoCalGas, by D.90-01-016 dated January 9, 1990, are currently authorized by the Commission to undertake energy education and direct assistance programs for low-income customers.
4. By Resolution E-3263, dated March 31, 1992, the Commission directed energy utilities to determine overlapping service territories and to develop plans to share customer information to maximize low-income ratepayer assistance and low-income weatherization programs.
5. The term of the Agreement is from the effective date of the Commission's authorizing order until December 31, 1993.
6. SoCalGas' and Edison's low-income weatherization programs are in compliance with D. 90-01-016, D.91-01-016 and Resolution E-3263.
7. SoCalGas and Edison should make a full showing in their next general rate cases to ensure there is reasonable competition between CBO's and private contractors.

CONCLUSIONS

1. SoCalGas' and Edison's request to approve an Inter-Utility Agreement is reasonable and in compliance with Commission decisions and resolution.
2. Edison's request to shift funds of \$3.98 million of previously authorized Direct Assistance Weatherization funds from the Shared Savings Category to the Expensed Category is reasonable.
3. The protests from Lyndale, Renaissance, H&L and ICA are without merit and should be denied.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company's and Southern California Edison Company's request to approve an Inter-Utility Agreement is consistent with the Findings and Conclusions above and should be approved.

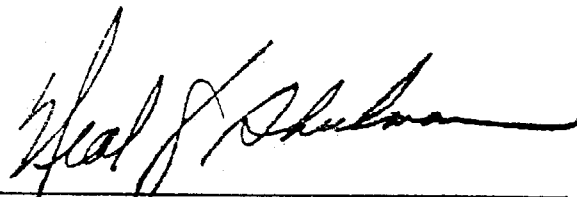
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2. The protests received from Lyndale Heating & Air Conditioning, Contractor, Renaissance Inc., Priority One/H&L and Insulation Contractors Association are denied.

3. Southern California Edison's request to shift \$3.98 million of previously authorized Direct Assistance Weatherization funds from the Shared Savings Category to the Expensed Category is reasonable and should be approved.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 21, 1992. The following Commissioners approved it:



Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners