

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3131
June 22, 1994

R E S O L U T I O N

RESOLUTION G-3131. SOUTHERN CALIFORNIA GAS COMPANY AND SOUTHERN CALIFORNIA EDISON COMPANY REQUEST AUTHORITY TO EXTEND AND MODIFY AN INTER-UTILITY AGREEMENT FOR SOCALGAS TO ADMINISTER EDISON'S LOW-INCOME WEATHERIZATION PROGRAM. BY ADVICE LETTERS 2298 AND 1049-E, FILE APRIL 20, 1994.

SUMMARY

1. By Advice Letters 2298 and 1049-E, filed April 20, 1994, Southern California Gas Company (SoCalGas) and Southern California Edison Company (Edison) request approval of an amendment to extend an Inter-Utility Agreement for SoCalGas to administer Edison's Low-Income Weatherization Program in areas where the two utilities' service territories overlap.
2. This resolution authorizes SoCalGas' and Edison's request.

BACKGROUND

1. Both Edison and SoCalGas are currently authorized by the Commission to operate weatherization programs for low-income customers. In March, 1992, the Commission issued Resolution E-3263, which directed energy utilities to determine overlapping service territories and to develop plans to share customer information to maximize low-income ratepayer assistance (LIRA) and low-income weatherization (LIW) programs. Edison and SoCalGas have overlapping service territories.
2. In August, 1992, SoCalGas and Edison entered into an Inter-Utility Agreement that allowed SoCalGas to administer Edison's 1993 LIW program. The Commission authorized the Inter-Utility Agreement by Resolution G-3131.
3. The amendment to extend the Inter-Utility Agreement continues to have SoCalGas administer Edison's LIW program in areas where the two utilities' service territories overlap. Modifications were made to the Weatherization Cooperative Rate Schedule, the cost tables containing the reimbursement rates.

4. Edison states that the savings accrued through the Inter-Utility Agreement will be used to weatherize additional homes and provide on-site energy education services to program participants. SoCalGas states that savings will be used to augment its Direct Assistance program.

5. SoCalGas and Edison have calculated that the Inter-Utility Agreement saved Edison \$95 per home on 2748 homes, for a total savings of \$261,060. Savings of approximately \$235,000 were realized by SoCalGas because Edison paid 50% of the cost of the education component of the LIW program. Prior to the Inter-Utility Agreement, SoCalGas paid \$18.00 per customer for educational materials that included electric information as well as gas information. With the Inter-Utility Agreement, SoCalGas paid \$9.00 per customer. Further benefits include the reduction of resources spent looking for low-income customers with a particular type of energy service. Under the Inter-Utility Agreement, all low-income customers were served by SoCalGas, including customers that have only electric service.

6. The term of the Inter-Utility Agreement is from the effective date of the Commission's authorizing order until December 31, 1994. 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 because the advice filings remain consistent with E-3262 and G-3018.

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. Comments were received from the East Los Angeles Community Union (TELACU), filed on May 5, 1994. TELACU is a licensed non-profit community based organization (CBO). After a request by Commission staff, Edison responded to TELACU's comments on June 9, 1994.

2. TELACU has commented on what it perceives are price discrimination and inconsistent policies of the Commission.

Summary of TELACU comments:

Until 1993, Edison used three community-based organizations (CBOs) and three private contractors to deliver LIW services. In 1991, Edison had hired these CBOs and contractors through a bidding process. Each subsequent year, Edison extended the contracts. In 1993, the three CBOs that had worked for Edison were contracted by SoCalGas to continue providing services under the Inter-Utility

Agreement. The three contractors that had worked for Edison prior to the Inter-Utility Agreement continued working for Edison in the non-overlapping areas in 1993.

Until this year, SoCalGas has exclusively contracted with CBOs to perform its low-income weatherization program. SoCalGas established fixed prices for weatherization in the CBOs' contracts. Thus, when the three CBOs that had worked for Edison were contracted by SoCalGas, the CBOs accepted the prices set in SoCalGas' contracts.

TELACU points out that while it and the other two CBOs had their prices set by SoCalGas, the other three contractors continued receiving their bid price for the same work. TELACU points out that the CBOs and contractors are providing the same services and, therefore, should receive the same price, otherwise there is price discrimination. Finally, TELACU states that Edison's contractors should be paid at the same rate the CBOs are paid and the savings should be put toward additional services.

TELACU also comments that the Commission ordered SoCalGas to bid out 25% of its LIW program to determine if SoCalGas was achieving weatherization most efficiently (i.e. at the lowest possible cost) by contracting with CBOs. TELACU points out that Edison's advice filing provides good evidence that CBOs perform the weatherization work more cost-effectively than private contractors because the private contractors were charging \$95 more per home than the CBOs earned on SoCalGas' contracts.

DISCUSSION

1. CACD stated in Resolution G-3018 that the Inter-Utility Agreement would be "reasonable and expedient" to provide the LIW programs. Although some savings were realized in the first year, Edison did not achieve its program goals. Edison's goal for 1993 was 9000 homes. Due to a delayed start, only 2748 homes were actually done. Delays and inefficiencies are not uncommon in the first year of a program and should be worked out with time and experience.

2. Unfortunately, we are seeing that the 1994 program has also been delayed. The delay results in an irretrievable loss of savings. The Commission urges the utilities to begin these programs earlier next year. If the utilities plan to continue the Inter-Utility Agreement in 1995, the utilities may extend the contract without filing advice letters. However, the Commission (addressed to the Energy Branch Chief) should be notified of the extension by letter and the program should be implemented in January, 1995.

3. In SoCalGas' and Edison's 1993 Inter-Utility Agreement proposal (Advice Letters 960-E and 2135), Edison expected to save up to \$600,000 and SoCalGas up to \$271,000. SoCalGas claimed it would redirect its savings into other Direct

Assistance program elements. Edison stated its savings would be used to weatherize additional homes and provide new, on-site energy education services. Additionally, customers would benefit by receiving full weatherization services (for homes with gas and electric service) for the first time.

4. After one year, we see that achieved savings were substantially lower than expected because the number of units weatherized was much less than the program's goal. The program savings attributable to the Inter-Utility Agreement amounted to \$261,060, at a savings of \$95 per home. These savings could not be put toward weatherizing additional homes since the targeted number of homes was not reached and the appropriated funds were not expended.

5. In 1994, Edison will be faced with a higher per-home administration cost, as well as adjustments to some other rates from SoCalGas. This year Edison's target is 5000 homes, but again the program is getting a late start. With the number of weatherized homes likely to be less than Edison's goal, there will again be no way to direct the savings into additional weatherization. Therefore, the benefits of the Inter-Utility Agreement may diminish relative to 1993.

6. According to Edison, the total cost per home for the hardware, installation and inspections was \$305. In its nonoverlapping territory the cost per home is \$400. Edison claims that its administrative cost in the non-overlapping territory is approximately equal to the cost that SoCalGas' claims it expended -- \$11.50 per house. The administrative cost is not factored into the \$305 cost and does not affect the \$95 savings.

7. In the nonoverlapping territory, Edison's contractors are working under contracts that were written in 1991. This begs the question of whether the prices in those contracts are still competitive. Edison's current contracts may not be cost-efficient or in line with current market prices, and therefore, the \$95 savings may not be accurate. Edison should consider holding a new auction for its program in nonoverlapping territories or some other means to update the three contracts.

8. This resolution is not the appropriate forum to perform a complete analysis of the joint program. These advice letters are simply intended to provide the information necessary to renew the Inter-Utility Agreement, such as the average per-home savings and certain costs that are shared between the utilities. However, we also see that the Inter-Utility Agreement has caused a delay in the implementation of the program. While the Commission condones the joint effort, it must be weighed against the lost benefits due to the delay in the program. This issue should be reviewed in each utility's next general rate case or equivalent proceeding.

9. TELACU commented on price discrimination by Edison and SoCalGas' pilot bid of its LIW program ordered by the Commission. Edison briefly responded to the issue of price

discrimination caused by the Inter-Utility Agreement by stating that the services provided were not exactly the same and the method of payment differed causing charges for similar services to be different. Edison's response is sufficient to show that the Inter-Utility Agreement is not directly causing price discrimination, and therefore, the Commission's position on the Inter-Utility Agreement is unchanged. However, Edison's contractors in the nonoverlapping areas are receiving higher payments. Edison stated that program adjustments may be in order. The evaluation should be made expeditiously in order to get the savings into additional weatherization or back to ratepayers.

10. Although it makes an interesting point, TELACU's second argument stating that the negotiated prices in southern California are lower than bid prices for low-income weatherization, is only relevant to this resolution in the context of whether Edison's claim of \$95 savings per house due to the Inter-Utility Agreement is meaningful. This issue has already been discussed above. This resolution is not the appropriate forum to discuss the merits of SoCalGas' bid. If TELACU wants to reexamine the issues of the bid, it should file a petition for modification of SoCalGas' General Rate Case in which the decision to institute a pilot bid was made.

11. 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 April 20, 1994, SoCalGas and Edison filed Advice Letters 2298 and 1049-E, respectively, requesting approval of an extension to the Inter-Utility Agreement for SoCalGas to administer Edison's Low-Income Weatherization Program in areas where the two utilities' service territories overlap.

2. Advice Letters 2298 and 1049-E comply with Commission policies set forth in previous decisions and resolutions.

3. Delays in the start of Low-Income Weatherization programs result in an irretrievable loss of savings.

4. If the utilities plan to continue the Inter-Utility Agreement in 1995, the utilities may extend the contract without filing advice letters. However, the Commission should be notified of the extension by letter and the program should be implemented in January, 1995.

5. The 1993 program savings attributable to the Inter-Utility Agreement amounted to \$261,060. These savings could not be put toward weatherizing additional homes since the targeted number of homes for 1993 was not reached and the appropriated funds were not expended.

6. The benefits achieved this year may be less than 1993 benefits because some reimbursement rates have risen and the program implementation has been delayed. The delay is likely to result in fewer than the target number of homes being weatherized.

7. Edison contracts for low-income weatherization service in its nonoverlapping territories may be out-dated. Edison should consider holding a new auction or some other means to update its contracts and determine if the \$95-savings per home are real in the current market.

8. While the Commission condones the joint effort, the Inter-Utility Agreement must be weighed against the lost benefits due to the delay in the program. This issue should be reviewed in each utility's next general rate case.

9. TELACU's comments on the advice filing makes an important point about the current prices Edison pays its contractors in the nonoverlapping areas. Edison should evaluate the method of payment and expeditiously make changes if savings could be gained.

10. Because Edison's contracts have not been updated since 1991, we do not know if the \$95 difference between the areas under the Inter-Utility Agreement and outside of it actually reflect the difference in market prices between a bid and a negotiated contract.

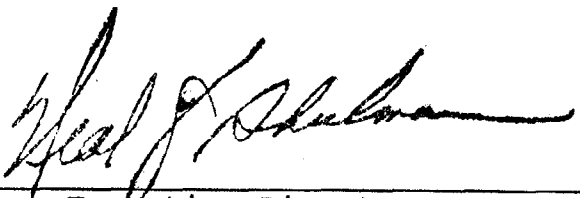
June 22, 1994

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company's and Southern California Edison Company's request to amend and renew the Inter-Utility Agreement is reasonable and in compliance with Commission decisions and resolutions, and should be approved.
2. The term of the Inter-Utility Agreement shall be effective from the date of the Commission's authorizing order until December 31, 1994.
3. To renew the Inter-Utility Agreement again, an advice filing will not be required. However, the utilities shall notify the Commission of the extension of the Inter-Utility Agreement and shall begin the Low-Income Weatherization program in January, 1995.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 22, 1994. The following Commissioners approved it:



Executive Director

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
Commissioners

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3131
June 22, 1994

R E S O L U T I O N

RESOLUTION G-3131. SOUTHERN CALIFORNIA GAS COMPANY AND SOUTHERN CALIFORNIA EDISON COMPANY REQUEST AUTHORITY TO EXTEND AND MODIFY AN INTER-UTILITY AGREEMENT FOR SOCALGAS TO ADMINISTER EDISON'S LOW-INCOME WEATHERIZATION PROGRAM. BY ADVICE LETTERS 2298 AND 1049-E, FILE APRIL 20, 1994.

SUMMARY

1. By Advice Letters 2298 and 1049-E, filed April 20, 1994, Southern California Gas Company (SoCalGas) and Southern California Edison Company (Edison) request approval of an amendment to extend an Inter-Utility Agreement for SoCalGas to administer Edison's Low-Income Weatherization Program in areas where the two utilities' service territories overlap.
2. This resolution authorizes SoCalGas' and Edison's request.

BACKGROUND

1. Both Edison and SoCalGas are currently authorized by the Commission to operate weatherization programs for low-income customers. In March, 1992, the Commission issued Resolution E-3263, which directed energy utilities to determine overlapping service territories and to develop plans to share customer information to maximize low-income ratepayer assistance (LIRA) and low-income weatherization (LIW) programs. Edison and SoCalGas have overlapping service territories.
2. In August, 1992, SoCalGas and Edison entered into an Inter-Utility Agreement that allowed SoCalGas to administer Edison's 1993 LIW program. The Commission authorized the Inter-Utility Agreement by Resolution G-3131.
3. The amendment to extend the Inter-Utility Agreement continues to have SoCalGas administer Edison's LIW program in areas where the two utilities' service territories overlap. Modifications were made to the Weatherization Cooperative Rate Schedule, the cost tables containing the reimbursement rates.

4. Edison states that the savings accrued through the Inter-Utility Agreement will be used to weatherize additional homes and provide on-site energy education services to program participants. SoCalGas states that savings will be used to augment its Direct Assistance program.

5. SoCalGas and Edison have calculated that the Inter-Utility Agreement saved Edison \$95 per home on 2748 homes, for a total savings of \$261,060. Savings of approximately \$235,000 were realized by SoCalGas because Edison paid 50% of the cost of the education component of the LIW program. Prior to the Inter-Utility Agreement, SoCalGas paid \$18.00 per customer for educational materials that included electric information as well as gas information. With the Inter-Utility Agreement, SoCalGas paid \$9.00 per customer. Further benefits include the reduction of resources spent looking for low-income customers with a particular type of energy service. Under the Inter-Utility Agreement, all low-income customers were served by SoCalGas, including customers that have only electric service.

6. The term of the Inter-Utility Agreement is from the effective date of the Commission's authorizing order until December 31, 1994. 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 because the advice filings remain consistent with E-3262 and G-3018.

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. Comments were received from the East Los Angeles Community Union (TELACU), filed on May 5, 1994. TELACU is a licensed non-profit community based organization (CBO). After a request by Commission staff, Edison responded to TELACU's comments on June 9, 1994.

2. TELACU has commented on what it perceives are price discrimination and inconsistent policies of the Commission.

Summary of TELACU comments:

Until 1993, Edison used three community-based organizations (CBOs) and three private contractors to deliver LIW services. In 1991, Edison had hired these CBOs and contractors through a bidding process. Each subsequent year, Edison extended the contracts. In 1993, the three CBOs that had worked for Edison were contracted by SoCalGas to continue providing services under the Inter-Utility

Agreement. The three contractors that had worked for Edison prior to the Inter-Utility Agreement continued working for Edison in the non-overlapping areas in 1993.

Until this year, SoCalGas has exclusively contracted with CBOs to perform its low-income weatherization program. SoCalGas established fixed prices for weatherization in the CBOs' contracts. Thus, when the three CBOs that had worked for Edison were contracted by SoCalGas, the CBOs accepted the prices set in SoCalGas' contracts.

TELACU points out that while it and the other two CBOs had their prices set by SoCalGas, the other three contractors continued receiving their bid price for the same work. TELACU points out that the CBOs and contractors are providing the same services and, therefore, should receive the same price, otherwise there is price discrimination. Finally, TELACU states that Edison's contractors should be paid at the same rate the CBOs are paid and the savings should be put toward additional services.

TELACU also comments that the Commission ordered SoCalGas to bid out 25% of its LIW program to determine if SoCalGas was achieving weatherization most efficiently (i.e. at the lowest possible cost) by contracting with CBOs. TELACU points out that Edison's advice filing provides good evidence that CBOs perform the weatherization work more cost-effectively than private contractors because the private contractors were charging \$95 more per home than the CBOs earned on SoCalGas' contracts.

DISCUSSION

1. CACD stated in Resolution G-3018 that the Inter-Utility Agreement would be "reasonable and expedient" to provide the LIW programs. Although some savings were realized in the first year, Edison did not achieve its program goals. Edison's goal for 1993 was 9000 homes. Due to a delayed start, only 2748 homes were actually done. Delays and inefficiencies are not uncommon in the first year of a program and should be worked out with time and experience.

2. Unfortunately, we are seeing that the 1994 program has also been delayed. The delay results in an irretrievable loss of savings. The Commission urges the utilities to begin these programs earlier next year. If the utilities plan to continue the Inter-Utility Agreement in 1995, the utilities may extend the contract without filing advice letters. However, the Commission (addressed to the Energy Branch Chief) should be notified of the extension by letter and the program should be implemented in January, 1995.

3. In SoCalGas' and Edison's 1993 Inter-Utility Agreement proposal (Advice Letters 960-E and 2135), Edison expected to save up to \$600,000 and SoCalGas up to \$271,000. SoCalGas claimed it would redirect its savings into other Direct

Assistance program elements. Edison stated its savings would be used to weatherize additional homes and provide new, on-site energy education services. Additionally, customers would benefit by receiving full weatherization services (for homes with gas and electric service) for the first time.

4. After one year, we see that achieved savings were substantially lower than expected because the number of units weatherized was much less than the program's goal. The program savings attributable to the Inter-Utility Agreement amounted to \$261,060, at a savings of \$95 per home. These savings could not be put toward weatherizing additional homes since the targeted number of homes was not reached and the appropriated funds were not expended.

5. In 1994, Edison will be faced with a higher per-home administration cost, as well as adjustments to some other rates from SoCalGas. This year Edison's target is 5000 homes, but again the program is getting a late start. With the number of weatherized homes likely to be less than Edison's goal, there will again be no way to direct the savings into additional weatherization. Therefore, the benefits of the Inter-Utility Agreement may diminish relative to 1993.

6. According to Edison, the total cost per home for the hardware, installation and inspections was \$305. In its nonoverlapping territory the cost per home is \$400. Edison claims that its administrative cost in the non-overlapping territory is approximately equal to the cost that SoCalGas' claims it expended -- \$11.50 per house. The administrative cost is not factored into the \$305 cost and does not affect the \$95 savings.

7. In the nonoverlapping territory, Edison's contractors are working under contracts that were written in 1991. This begs the question of whether the prices in those contracts are still competitive. Edison's current contracts may not be cost-efficient or in line with current market prices, and therefore, the \$95 savings may not be accurate. Edison should consider holding a new auction for its program in nonoverlapping territories or some other means to update the three contracts.

8. This resolution is not the appropriate forum to perform a complete analysis of the joint program. These advice letters are simply intended to provide the information necessary to renew the Inter-Utility Agreement, such as the average per-home savings and certain costs that are shared between the utilities. However, we also see that the Inter-Utility Agreement has caused a delay in the implementation of the program. While the Commission condones the joint effort, it must be weighed against the lost benefits due to the delay in the program. This issue should be reviewed in each utility's next general rate case or equivalent proceeding.

9. TELACU commented on price discrimination by Edison and SoCalGas' pilot bid of its LIW program ordered by the Commission. Edison briefly responded to the issue of price

discrimination caused by the Inter-Utility Agreement by stating that the services provided were not exactly the same and the method of payment differed causing charges for similar services to be different. Edison's response is sufficient to show that the Inter-Utility Agreement is not directly causing price discrimination, and therefore, the Commission's position on the Inter-Utility Agreement is unchanged. However, Edison's contractors in the nonoverlapping areas are receiving higher payments. Edison stated that program adjustments may be in order. The evaluation should be made expeditiously in order to get the savings into additional weatherization or back to ratepayers.

10. Although it makes an interesting point, TELACU's second argument stating that the negotiated prices in southern California are lower than bid prices for low-income weatherization, is only relevant to this resolution in the context of whether Edison's claim of \$95 savings per house due to the Inter-Utility Agreement is meaningful. This issue has already been discussed above. This resolution is not the appropriate forum to discuss the merits of SoCalGas' bid. If TELACU wants to reexamine the issues of the bid, it should file a petition for modification of SoCalGas' General Rate Case in which the decision to institute a pilot bid was made.

11. 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 April 20, 1994, SoCalGas and Edison filed Advice Letters 2298 and 1049-E, respectively, requesting approval of an extension to the Inter-Utility Agreement for SoCalGas to administer Edison's Low-Income Weatherization Program in areas where the two utilities' service territories overlap.

2. Advice Letters 2298 and 1049-E comply with Commission policies set forth in previous decisions and resolutions.

3. Delays in the start of Low-Income Weatherization programs result in an irretrievable loss of savings.

4. If the utilities plan to continue the Inter-Utility Agreement in 1995, the utilities may extend the contract without filing advice letters. However, the Commission should be notified of the extension by letter and the program should be implemented in January, 1995.

5. The 1993 program savings attributable to the Inter-Utility Agreement amounted to \$261,060. These savings could not be put toward weatherizing additional homes since the targeted number of homes for 1993 was not reached and the appropriated funds were not expended.

6. The benefits achieved this year may be less than 1993 benefits because some reimbursement rates have risen and the program implementation has been delayed. The delay is likely to result in fewer than the target number of homes being weatherized.

7. Edison contracts for low-income weatherization service in its nonoverlapping territories may be out-dated. Edison should consider holding a new auction or some other means to update its contracts and determine if the \$95-savings per home are real in the current market.

8. While the Commission condones the joint effort, the Inter-Utility Agreement must be weighed against the lost benefits due to the delay in the program. This issue should be reviewed in each utility's next general rate case.

9. TELACU's comments on the advice filing makes an important point about the current prices Edison pays its contractors in the nonoverlapping areas. Edison should evaluate the method of payment and expeditiously make changes if savings could be gained.

10. Because Edison's contracts have not been updated since 1991, we do not know if the \$95 difference between the areas under the Inter-Utility Agreement and outside of it actually reflect the difference in market prices between a bid and a negotiated contract.

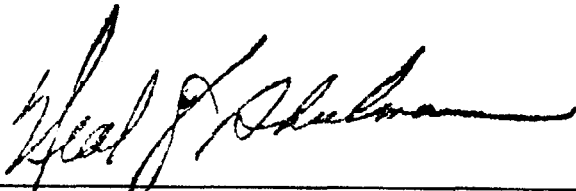
June 22, 1994

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company's and Southern California Edison Company's request to amend and renew the Inter-Utility Agreement is reasonable and in compliance with Commission decisions and resolutions, and should be approved.
2. The term of the Inter-Utility Agreement shall be effective from the date of the Commission's authorizing order until December 31, 1994.
3. To renew the Inter-Utility Agreement again, an advice filing will not be required. However, the utilities shall notify the Commission of the extension of the Inter-Utility Agreement and shall begin the Low-Income Weatherization program in January, 1995.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 22, 1994. The following Commissioners approved it:



Executive Director

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
Commissioners