

Decision 82 11 025 NOV 3 - 1982**ORIGINAL**

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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; motion  
filed September 1, 1979)

ORDER GRANTING MOTION

Southern California Gas Company's (SoCal) motion requests that the Commission authorize it to provide backup service on the one-year labor warranty for solar water heaters and to include the costs associated with that service in the Conservation Cost Adjustment (CCA) balancing account. Since there is no opposition to the motion, and since it appears to be in the public interest, we will grant it.

Background

In Decision (D.) 92251 (September 16, 1980) the Commission: (1) limited utility maintenance of solar water heaters to so-called "screwdriver" maintenance, (2) required that all systems installed on or after January 15, 1981 have a full five-year parts and labor warranty and an extended pro rata parts warranty to be eligible for the solar financing demonstration program, and (3) stated that the utilities, for a fee, shall make available a backup service agreement. (D.92251, mimeo. p. 55.)

In D.92501 (December 5, 1980) the Commission temporarily suspended the pro rata portion of the warranty requirement pending further hearing. In D.92745, (February 18, 1981) the Commission eliminated the basic five-year parts and labor requirement, because the Commission intended "to come to a final determination on warranty

issues in the near future." (D.92745, mimeo. p. 2.) The Commission ordered further hearings on the warranty issue by D.92769 (March 3, 1981) and specified that, pending final action on this matter, the state tax credit warranty requirements (one-year labor, three-year parts) shall be applicable to the solar demonstration program. (D.92769, mimeo. p. 20.)

Further hearings on the warranty question were held during the week of April 13, 1981, and concurrent opening and closing briefs were filed by the parties on May 18, 1981. The matter is now submitted.

SoCal's Showing

SoCal alleges that it has been receiving inquiries from solar water heater customers regarding the provision of warranty service. It now appears to SoCal that there are solar contractors who have gone out of business or who have filed for bankruptcy and are unable to provide the one-year labor warranty. Although there have been only 10 inquiries to date, SoCal is concerned that this number could escalate rapidly and result in customer confusion, customer dissatisfaction with solar systems, and customer nonpayment or late payment of SoCal-provided loans. In the event of nonpayment SoCal must write off the remaining loan amount as a bad debt expense, increasing program costs to SoCal's ratepayers. This is because a customer with a malfunctioning solar system may possibly be able to assert a valid defense against SoCal's action to collect on a solar loan. Provision of backup warranty service by SoCal in the event of contractor bankruptcy would help it avoid these problems.

SoCal states that in its previous briefs it urged the Commission to refrain from ordering utilities to provide backup service agreements. Experience with the solar demonstration program

has now shown it, however, that customers contact the utility which financed the system as problems arise. SoCal now believes that backup solar service by the utility will benefit all parties involved in its solar loan program. Accordingly, SoCal requests that the Commission authorize the utility to provide backup service to the basic one-year labor warranty in instances where contractors are out of business or have filed bankruptcy.

Specifically, SoCal proposes that it train Customer Services representatives to "trouble shoot" a problem upon customer inquiry. The utility would then direct the customer to the contractor for warranty service. If the contractor has either gone out of business or filed for bankruptcy, SoCal would effectuate the warranty by subcontracting the necessary labor using subcontracts with existing licensed installing contractors. These contractors will be chosen by a nondiscriminatory selection process and there will be no charge to the customer for such service. SoCal will not arrange for service after the one-year labor warranty has expired. SoCal expects that such a practice would minimize considerably the potential bad debt expense that would be borne by all of SoCal's ratepayers.

SoCal estimates the cost of training and equipping field personnel to be \$54,000 and that the warranty service itself would cost \$150 per job. Based on an estimate of 950 jobs per year, the estimated annual cost of warranty service is \$142,500. SoCal believes that these costs will be outweighed by the cost savings achieved through the reduction in bad debt expense. It asks that the Commission authorize it to include these costs in its CCA balancing account.

SoCal served copies of its motion on all parties. No protests have been received.

While we believe that the backup warranty service proposed by SoCal would be beneficial, we believe that it is premature to authorize the expenditure levels projected by SoCal. SoCal's estimate of 950 jobs per year is largely speculation, particularly since it has received only 10 inquiries to date. Consequently, we will authorize SoCal to include only its actual costs of providing the warranty service in the CCA balancing account. Such costs, of course, must be prudent and reasonable.

Pacific Gas and Electric  
Company's (PG&E) Response

In its response to SoCal's motion PG&E reminds us that it stated its position on utility-provided backup service in its briefs of February 24 and May 18, 1981. Its position has been and remains:

- "(1) The cost-effectiveness of utility provided backup service or warranty insurance is indeterminable due to the many unknown costs of providing such service;
- "(2) Utility backup service would remove the obligation of installers and manufacturers to stand behind their work; and
- "(3) Backup service or warranty insurance would be provided best by the industry itself, particularly by CalSEIA." (PG&E Response, pp. 2-3.)

However, noting that SoCal alone is offering a solar loan program, PG&E does not object to the relief sought by SoCal. PG&E concludes that "while SoCal should be allowed to pursue the course it deems prudent to protect the interest of its ratepayers and their investment, no requirement for utility provision of backup warranty service should be imposed upon PG&E." (PG&E Response, p. 4.)

Since we address in this opinion only SoCal's motion, there can be no question of imposing any similar requirement on PG&E.

Findings of Fact

1. Some solar contractors have gone out of business or have filed for bankruptcy and are unable to provide warranty service.
2. Some SoCal customers have called upon it to provide warranty service.

3. Backup warranty service by SoCal will avoid customer confusion and dissatisfaction with solar hot water heaters and will reduce bad debt expense.

4. Backup warranty service by SoCal is necessary to protect its interest as the lender in its solar loan program.

5. If backup warranty service is necessary, SoCal will arrange for existing solar installers to supply it.

6. The procedures to select installers to provide backup warranty service will be fair and nondiscriminatory. ✓

Conclusions of Law

1. SoCal's motion should be granted.

2. SoCal should be authorized to recover the cost of providing backup warranty service through its CCA balancing account.

3. SoCal should provide backup labor warranty service to its loan customers only when the original solar contractor has gone out of business or has filed for bankruptcy.

4. Since there is no opposition to the motion, the following order should be made effective today.

## IT IS ORDERED that:

1. Southern California Gas Company (SoCal) is authorized to provide backup service to the solar contractors' one-year labor warranty for systems financed through the solar loan program when the original solar contractor has gone out of business or has filed for bankruptcy.

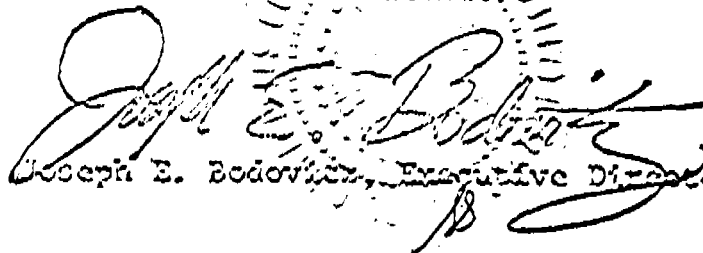
2. Only reasonable and prudent costs associated with labor warranty service may be included in SoCal's conservation cost adjustment balancing account.

This order is effective today.

Dated NOV 5 1982, at San Francisco, California.

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

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

  
Joseph E. Bodovitch, Executive Director

3. Backup warranty service by SoCal will avoid customer confusion and dissatisfaction with solar hot water heaters and will reduce bad debt expense.

4. Backup warranty service by SoCal is necessary to protect its interest as the lender in its solar loan program.

5. If backup warranty service is necessary, SoCal will arrange for existing solar installers to supply it.

6. The procedures to select installers to provide backup warranty service will be fair and nondiscriminatory.

7. The cost of training and equipping SoCal field personnel will be \$54,000. Warranty service will cost about \$150 per job. Assuming 950 jobs per year, the annual cost will be \$142,500.

Conclusions of Law

1. SoCal's motion should be granted.

2. SoCal should be authorized to recover the cost of providing backup warranty service through its CCA balancing account.

3. SoCal should provide backup labor warranty service to its loan customers only when the original solar contractor has gone out of business or has filed for bankruptcy.

4. Since there is no opposition to the motion, the following order should be made effective today.

IT IS ORDERED that:

1. Southern California Gas Company (SoCal) is authorized to provide backup service to the solar contractors' one-year labor warranty for systems financed through the solar loan program when the original solar contractor has gone out of business or has filed for bankruptcy.

2. All reasonable and prudent costs associated with labor warranty service (to the extent indicated in Finding 7) may be included in SoCal's conservation cost adjustment balancing account.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.