

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy BranchRESOLUTION G-2680
June 25, 1986R E S O L U T I O N

APPROVES SAN DIEGO GAS AND ELECTRIC'S (SDG&E) REQUEST TO USE THERMAL ENERGY STORAGE (TES) INCENTIVE FUNDS TO HAVE A GAS AIR CONDITIONING SYSTEM INSTALLED AT THE HELIX VIEW NURSING HOME TO AVOID 173 KILOWATTS (KW) OF PEAK LOAD, AND APPROVES AN AGREEMENT BETWEEN SDG&E AND HELEN ANN BUNN (OWNER OF HELIX VIEW) PROVIDING FOR THE INSTALLATION OF A NATURAL GAS AIR CONDITIONING SYSTEM.

SUMMARY

By Advice Letter No. 571-G, filed May 19, 1986, SDG&E requests (1) approval to use \$56,000 of its authorized Thermal Energy Storage (TES) incentive funds as an incentive to Helix View Nursing Home for the installation of a gas air conditioning system in lieu of a conventional electric system and (2) approval of an agreement providing for the installation. The gas air conditioning system will avoid 173 kilowatts of peak load which would have been added by a conventional system.

DISCUSSION AND SDG&E'S POSITION

1. TES is a cost effective means of shifting air conditioning electric load from peak to off-peak periods.
2. By Decision No. 85-12-108 dated December 20, 1985, SDG&E was authorized to budget \$2.5 million for the TES incentives component of its 1986 load management program.
3. Direct-fired natural gas air conditioning is an alternative to TES for avoiding additions to peak electric load.
4. SDG&E requests approval of an Air Conditioning Agreement with Helen Ann Bunn (Exhibit 1) which stipulates, among other things, that Helix View will cause the installation of a direct-fired double-effect natural gas air conditioning chiller-heater rated at approximately 200 tons of air conditioning, for which SDG&E will pay Helix View an incentive of \$56,000, i. e., \$280 per ton.

5. The gas air conditioning system (or TES) will avoid 173 kw which otherwise would have been added to SDG&E's peak electric load.
6. SDG&E also requests approval to use TES funds for the incentive.
7. The incentive of \$280 per ton is less than SDG&E's equivalent standard incentive for TES, i. e., \$350 per ton (SDG&E Revised Cal. P.U.C. Sheet No. 5505-E).
8. Helix View prefers the natural gas air conditioning alternative for two reasons: it requires less space and is quieter in operation at night.
9. SDG&E shows the project to be cost effective with a benefit/cost ratio of 1.05 for SDG&E's nonparticipating customers.

COMMENTS RECEIVED

The Public Staff Division verbally informed the Energy Branch that it generally supported this request, but with the understanding that it wants to review such requests for shifting of TES incentives to natural gas air conditioning on a case-by-case basis.

STAFF POSITION

1. The Energy Branch staff has reviewed the agreement and concludes that:
 - a. The natural gas air conditioning system described in Exhibit 1 is capable of avoiding 173 kw of peak load which would otherwise occur with a conventional air conditioning system.
 - b. The natural gas air conditioning system is a cost effective alternative to TES.
 - c. The incentive of \$56,000 is reasonable and approval is recommended.
2. SDG&E gave notice by mailing this advice letter to interested parties on May 19, 1986.
3. No protests have been received by the staff.
4. This filing will not result in any increase to any rate or charge. It authorizes SDG&E to reallocate funds that have already been authorized by the Commission for TES and are included in SDG&E's 1986 load management budget.

THEREFORE:

1. The Gas Air Conditioning Agreement (Exhibit 1) is approved.
2. San Diego Gas and Electric is authorized to use \$56,000 of Thermal Energy Storage program funds for the incentive to the participating customer.
3. The Agreement shall be filed with San Diego Gas and Electric's tariffs.
4. The Advice Letter and Tariff Sheet shall be marked to show that they were authorized by Resolution G-2680.
5. San Diego Gas and Electric is hereby put on notice that Commission approval will continue to be required for each use of Thermal Energy Storage incentive funds for gas air conditioning incentives.
6. This Resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 25, 1986. The following Commissioners approved it:



Executive Director

VICTOR CALVO
FREDERICK R. DUDA
STANLEY W. HULETT
Commissioners

I dissent.

DONALD VIAL, President

I dissent.

PRISCILLA C. CREW, Commissioner



San Diego Gas & Electric

GAS COOLING AGREEMENT

THIS AGREEMENT is made and entered into the 6th day of March, 1986, by and between SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E), a California corporation, and Helen Anne Bunn (Owner) of Helix View Nursing Home, Inc. located at 1201 South Orange Ave., El Cajon, CA 92020, hereinafter referred to as "Customer".

WHEREAS:

1. Customer plans to replace two 100-ton each (100 kilowatts each) electric chillers with 200 tons of cooling which will be provided by a natural gas fired absorption chiller-heater(s) ("Facility").
2. Customer desires to utilize gas cooling in said Facility, as opposed to a conventional electric cooling system, provided that SDG&E shares in the additional construction and equipment costs associated with a gas cooling system.
3. SDG&E is desirous of fostering the use by private enterprise of gas cooling which will contribute to the reduction of peak period electrical demand, and to the increase of gas demand and consumption during off-peak seasons.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties agree as follows:

1. TERM

This Agreement shall commence on the date first shown above, and shall continue in force for fifteen (15) years from the date final payment, as provided for in Section 5.1.b, is made.

2. SCOPE

2.1 Customer will proceed to construct and complete said Facility, including the installation of the gas cooling system, on or before November 1, 1987.

2.2 Customer will cause to be included in the construction contract provisions for the acquisition and installation of direct-fired double-effect natural gas air conditioning chiller-heater(s) and all appurtenant and auxiliary condensers, pumps, piping and related equipment required to provide for an operable gas chiller with a maximum rated capacity of approximately 200 tons.

3. SYSTEM SELECTION AND OWNERSHIP

Selection of the gas cooling system described in Section 2.2, is the sole responsibility of Customer. Customer shall have total ownership of all equipment associated with the gas system. SDG&E has evaluated the sizing of the system for the sole purpose of determining Customer's eligibility for this program; SDG&E makes no representations as to the sizing of the system for any other purposes of Customer. Furthermore, SDG&E makes no representations as to the reliability and/or efficiency of the gas cooling system selected, or any components thereof. Customer shall indemnify SDG&E from any liability relating to the system's reliability, efficiency and/or performance.

4. CALCULATION OF INDUCEMENT PAYMENT

4.1 A one time financial contribution toward the added costs of installing a gas cooling system in lieu of, or to replace, a conventional cooling system, refrigeration system, or process cooling system, will be made in accordance with the following:

a. For new installations, the cooling load used below shall be the design cooling load in tons used to size a conventional cooling system for the customer's application. The utility may require the customer to provide a cooling load estimate certified by an Engineer Licensed in the State of California.

Total Cooling Load In Tons:	0-200 Tons	201-1200 Tons	>1200 Tons
Funding Levels Not To be Exceeded:	280 \$/Ton	150 \$/Ton	125 \$/Ton

b. For retrofit installations, the cooling load used below shall be the electric load displaced in kilowatts (kW) by gas cooling components as determined from instrumentation, equipment specifications, log books or bills.

Total Cooling Load In kW:	0-200 kW	201-1200 kW	>1200 kW
Funding Levels Not to be Exceeded: ALTOU Customers	250 \$/kW	225 \$/kW	200 \$/kW
AD Customers	350 \$/kW	325 \$/kW	

4.2 The amount of the calculated inducement payment made to a customer for a single gas cooling application shall be subject to the following limitations:

a. For all installations, SDG&E shall be the sole judge of Tons or kW of cooling load used to calculate inducement amounts.

b. SDG&E shall have the right to reject customer participation in the program, if, in the judgement of the utility, a proposed installation is improperly designed or an alternate type of system is more suitable.

c. For any participants (e.g. schools) who are eligible for, and will receive monetary grants from state or federal agencies for installation of gas cooling equipment, the inducement payment, as defined above, shall be reduced by an amount equal to the lesser of fifty percent (50%) of such grant or 50% of the inducement.

d. Inducement payments shall be limited to funding levels authorized from year to year by the CPUC.

5. PAYMENT

5.1 SDG&E shall pay to Customer \$56,000, computed at the rate of \$280 per ton (kW) for 200 tons (kW) of cooling load.

a. Forty percent (40%) of the total payment due under Section 5.1 upon delivery to the job site of the chiller-heater Gas Cooling Equipment and receipt by Customer of a billing for the cost of said units.

b. Balance of the total payment due under Section 5.1 upon completion of the gas chiller and associated components. Verification by SDG&E to its satisfaction that the gas chiller has been installed and is operating and providing cooling to the Facility is a condition precedent to this final payment.

5.2 Requests for each of said payments, together with supporting documentation, shall be submitted by Customer to SDG&E. Payment shall be made by SDG&E within 30 days of approval by SDG&E of the payment request.

6. OPERATION

Customer agrees to operate the system for a period of fifteen (15) years from the date final payment is made. Customer further agrees to document its operation of the system and to provide documentation to SDG&E upon request.

7. INSPECTION

SDG&E reserves the right to inspect the Facility at reasonable times for the sole purpose of verifying Customer's compliance with its performance obligations under this Agreement. This provision shall not impose upon SDG&E any obligation to perform any inspection, and is not intended to relieve the customer for negligent design, installation, operation or maintenance of the system.

8. COMPLIANCE WITH LAWS

Customer and any subcontractor it may retain shall be deemed to be familiar with, and at all times shall comply with and observe all applicable federal, state and local laws, ordinances, rules, regulations, executive orders, all applicable safety orders and all orders or decrees of administrative agencies, courts or other legally constituted authorities having jurisdiction or authority over Customer, SDG&E, or the Facility which may now or hereafter exist.

9. BUILDING TRANSFER

9.1 If the Customer is considering transfer of title to the Facility during the term of this Agreement, Customer shall provide SDG&E with a minimum of 30 days written notice (including name and address of any prospective transferees) in advance of any such transfer. SDG&E will negotiate with the prospective transferee with regard to transferee's assuming the obligations under this Agreement.

9.2 If SDG&E is unable to negotiate a transfer of the obligations of this Agreement, SDG&E shall so notify Customer in writing. Customer agrees to pay liquidated damages to SDG&E as provided in Section 12, within 30 days of receiving notice.

10. INDEMNITY

Customer will defend, indemnify, and save harmless, SDG&E, together with any and all of its agents and employees, from and against any and all claims, losses, liabilities, damages and expenses (including attorney's fees) of any kind whatsoever for injuries to or death of any person (including, but not limited to, employees of SDG&E and Customer) and for all loss, damage, or destruction of any property (including, but not limited to, any property of SDG&E or Customer arising out of or in any way pertaining to the performance or lack of performance of the terms of this Agreement, whether negligent or otherwise, by Customer, its agents, employees or subcontractors and whether or not the active or passive negligence of SDG&E caused or contributed to said injury to, or death of any person, or loss, damage, or destruction of any property, except this indemnity shall not apply if said injury or death, or loss, damage, or destruction, is caused by the sole negligence or willful act of SDG&E, its agents or employees.

11. INSURANCE

Customer shall maintain in effect during the life of this Agreement Comprehensive General Liability Insurance, including contractual liability coverage for liability assumed by Customer in this Agreement, with limits of not less than \$1,000,000 each occurrence for bodily injury and property damage combined. Evidence of such insurance shall be made available to SDG&E upon request.

12. LIQUIDATED DAMAGES

The extent and amount of actual damages which would be suffered by SDG&E as a result of Customer's failure to perform in accordance with this Agreement are impractical or extremely difficult to determine or estimate. Customer will pay SDG&E the following amount as liquidated damages (and not as a penalty) for each month (or any part thereof) during which Customer fails to perform in accordance with this Agreement:

$\frac{\$P}{180} + \text{Interest,}$

where P=total payment in dollars made by SDG&E to customer pursuant to Section 5, and interest is the sum accrued by the value of $\frac{\$P}{180}$

over the months elapsed from the date of final payment to the month when Customer failed to perform, using the average prime commercial lending rate in San Diego as the rate of interest.

This amount reflects a recapture of SDG&E's monthly investment under the Agreement for each month Customer fails to perform in accordance with this agreement.

13. GOVERNING LAW

Interpretation of this Agreement and performance thereof will be determined by California law. No action may be brought under this Agreement unless brought in a court located in San Diego County.

14. REMEDIES

SDG&E expressly retains all of its rights and remedies provided by law or equity in the case of breach, and neither any action by SDG&E nor any reservation by SDG&E in this Agreement of any specific legal or equitable remedy shall constitute a waiver of any other legal or equitable rights or remedies.

15. SURVIVAL

The obligations imposed on Customer and Customer's employees by and pursuant to Article 10 shall survive termination of this Agreement.

16. VALIDITY

The invalidity, in whole or in part, of any provisions hereof shall not affect the validity of any other provisions hereof.

17. COMPLETE AGREEMENT

This Agreement contains the complete and entire Agreement between the parties and supercedes any previous communications, representations, or agreements, whether verbal or written, with respect to the subject matter. No change, addition or modification of any of the terms or conditions shall be valid or binding on SDG&E unless in writing, signed by and authorized representative of SDG&E.

18. APPROVAL OF AGREEMENT OR MODIFICATION OF AGREEMENT BY CALIFORNIA PUBLIC UTILITIES COMMISSION

18.1 This Agreement shall not be effective until authorization of the Public Utilities Commission of the State of California is first obtained.

18.2 This Agreement shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as it may, from time to time, direct in the exercise of its jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers or representatives as of the day and year first above written.

SAN DIEGO GAS & ELECTRIC COMPANY

By *David Bunn*
Title *Vice President*
and agent for San Diego Gas & Electric
Date *March '86*

By *J. P. [Signature]*
Title *Director Marketing*
Date *5/2/86*

Addendum to the Gas Cooling Agreement between San Diego Gas & Electric Company and Helix View Nursing Home, Inc. dated March 7, 1986.

6. OPERATION

Customer agrees to operate the system for a period of fifteen (15) years from the date final payment is made. Customer further agrees to document its operation of the system using good engineering practices and to provide documentation to SDG&E upon request.

12. LIQUIDATED DAMAGES

The extent and amount of actual damages which would be suffered by SDG&E as a result of Customer's failure to perform in accordance with this Agreement are impractical or extremely difficult to determine or estimate. Customer will pay SDG&E the following amount as liquidated damages (and not as a penalty) for each month (or any part thereof) during which Customer fails to perform in accordance with this Agreement:

Amount each Month = $\$P/180 + \text{Interest}$

where: P = total payment in dollars made by SDG&E to customer pursuant to Section 5.

Interest is the sum accrued by the value of $\$P/180$ as follows:

$$I = (\$P/180 \times R/12 \times Mo)$$

where R = Average prime commercial lending rate of the Bank of America;

Mo = Months operation elapsed from date of final payment to the month when customer failed to perform;

The Total Amount (Ta) is calculated as follows:

$$Ta = (\$P/180 + \$P/180 \times R/12 \times Mo) Mno$$

Mno = Months non-performance, each month (or any part thereof) during which the customer fails to perform.

This amount reflects a recapture of SDG&E's monthly investment under the Agreement for each month Customer fails to perform in accordance with this Agreement.

Helix View Nursing Home, Inc.

San Diego Gas & Electric Company

By Daniel Burr

By J. Mitchell

Title Vice President

Title Director of Marketing

Date 12 MAY 1986

Date 5/12/86