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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2871
Date April 12, 1989

R E S O L U T I O N

RESOLUTION G-2871. SOUTHERN CALIFORNIA GAS COMPANY (SoCalGas), AUTHORIZED TO REALLOCATE \$2.1 MILLION OF UNSPENT AND DEFERRED MARKETING FUNDS TO A PROPOSED NEW NON-RESIDENTIAL FUEL CELL PROGRAM.

BY ADVICE LETTER 1856, FILED ON FEBRUARY 17, 1989.

SUMMARY

1. SoCalGas seeks to reallocate \$2.1 million of unspent and deferred marketing program funds to be used as part of a \$6.6 million Non-Residential Fuel Cell Program for ten 200 kilowatt fuel cells.
2. This Resolution authorizes only the initial \$2.1 million. The additional funds have been requested in A.88-12-047, SoCalGas Test Year 1990 General Rate Case. If the additional funding is not approved there, this \$2.1 million will be returned to ratepayers.

BACKGROUND

1. In Decision (D) 84-12-069 the Commission approved approximately \$4.0 million for the Commercial and Apartment Conservation Service (CACS). CACS is to be terminated on June 30, 1989 by the Federal Conservation Service Reform Act, dated August 28, 1986, federal legislation U.S.C.A. 99-412.
2. Of the \$4.0 million, SoCalGas proposes to reallocate \$2.1 million to a Non-Residential Fuel Cell Project. Though this project would cost a total of \$6.6 million, an escrow account (bank guarantee) containing the \$2.1 million would be set up to establish a good faith relationship with the manufacturer, International Fuel Cells Corporation. The additional funds have been requested in A.88-12-047.
3. The option of utilities to request shifts of large sums of money between programs by advice letter filing has been granted and renewed by Decisions D.93887 and D.84-12-069.

April 12, 1989

DISCUSSION

1. SoCalGas filed its Advice Letter 1856 on February 17, 1989. The source of these funds is the unspent CACS marketing funds granted in D.84-12-069, SoCalGas' last General Rate Case.

2. The utility presents three reasons to justify implementing this program now:

a. The total present worth cost of the project will be about \$1.1 million less if these initial funds are committed now rather in 1990.

b. Electrical plants are more polluting than fuel cells using natural gas. Less pollution is an immediate need in the Los Angeles Basin.

c. The manufacturer, International Fuel Cells, is currently seeking commitments from ten utilities nationwide. SoCalGas' participation takes the form of \$2.1 million placed in an escrow (bank guarantee) account until January 31, 1990. The implication is that if the initial dollars are not committed now, SoCalGas may be passed over in the initial shipment of fuel cells.

3. Several research studies from the Gas Research Institute, Electric Power Research Institute, and SoCalGas have found fuel cells more energy efficient than the current electrical plants providing energy to utility customers.

PROTESTS

1. Public notification of this filing has been made by mailing copies to other utilities, governmental agencies, and to all interested parties who requested such notification.

2. Two protests have been received. The Division of Ratepayer Advocates (DRA) contends that the time allowed for investigating the advice letter is insufficient and that the program should be treated initially as part of SoCalGas' General Rate Case, A.88-12-047.

3. Southern California Edison (SCE) argues that use of a fuel cell may cause some electricity users to switch to gas. SCE also states that cost-effectiveness of the program has not been demonstrated, and there are good reasons to believe the program is not now cost-effective.

April 12, 1989

4. SoCalGas's proposal merely insures the availability of the fuel cells if the program is approved in A.88-12-047. If the program is not approved, the \$2.1 million would be treated as any other unspent Demand Side Management Funds. Since none of the \$2.1 million would actually be spent until and unless the program is approved in A.88-12-047, both DRA and SCE can address their concerns in that application. Therefore, the Commission Advisory and Compliance Division recommends approval.

FINDINGS

1. SoCal's proposed reallocation is reasonable as long as no funds are actually spent unless and until approved in A.88-12-047.

2. This filing will not increase any rate or charge, cause the withdrawal of services, or conflict with any other rate schedule.


THEREFORE, IT IS ORDERED that:

1. SoCalGas is authorized to reallocate \$2.1 million from unspent CACS marketing funds to an escrow account for its fuel cell project. If the project is not authorized in the General Rate Case (A. 88-12-047), this \$2.1 million shall be returned to ratepayers. The Agreement between SoCalGas and International Fuel Cells would then be null and void.

2. This order is effective today.

I hereby certify that this Resolution was adopted by the California Public Utilities Commission at its regular meeting on April 12, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OHANIAN
Commissioners


Executive Director

Commissioner Frederick R. Duda
being necessarily absent, did
not participate.

Commissioner Patricia M. Eckert
present but not participating.