

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3101  
January 7, 1994

**R E S O L U T I O N**

RESOLUTION G-3101. SOUTHERN CALIFORNIA GAS COMPANY REQUESTS APPROVAL OF A FIXED PRICE AGREEMENT BETWEEN SOUTHERN CALIFORNIA GAS COMPANY AND THE UNITED STATES AIR FORCE AT VANDENBERG AIR FORCE BASE FOR THE SALE OF A 200 KW PHOSPHORIC ACID FUEL CELL.

BY ADVICE LETTER 2223-G, FILED ON OCTOBER 13, 1993.

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**SUMMARY**

1. By Advice letter 2223-G, Southern California Gas Company (SoCalGas) submits for approval a fixed price agreement between SoCalGas and the United States Air Force at Vandenberg Air Force Base (Vandenberg). The agreement covers the sale of a 200 KW phosphoric acid fuel cell to Vandenberg by SoCalGas, the installation of the fuel cell, training of Vandenberg personnel and a maintenance contract for one year, with an option for a one year extension.
2. No protests have been filed.
3. This Resolution approves the agreement as filed.

**BACKGROUND**

1. By Advice Letter 1856, SoCalGas requested to reallocate unspent and deferred marketing program funds to a proposed new Non-Residential Fuel Cell Program (Fuel Cell Program).
2. In Resolution G-2871, the Commission authorized the reallocation of funds but made them subject to refund pending approval of the Fuel Cell Program in SoCalGas' Test Year 1990 General Rate Case (GRC).
3. In its Test Year 1990 GRC application (A.88-12-047), SoCalGas requested Commission authority to purchase and install ten phosphoric acid fuel cells in conjunction with its Fuel Cell Program.
4. In Decision (D.) 90-01-016, the Commission approved SoCalGas' proposed Fuel Cell Program and authorized SoCalGas to

purchase, install and operate ten pre-commercial phosphoric acid fuel cells for demonstration purposes.

5. By Advice Letter 2106-G and Advice Letter 2152-G, SoCalGas requested approval of two separate contracts between SoCalGas and a selected customer to install and operate a 200 kW fuel cell as part of SoCalGas' Fuel Cell Program.

6. The Commission approved Advice Letter 2106-G and Advice Letter 2152-G by Resolution G-3001 and Resolution G-3037, respectively.

7. By Advice Letter 2223-G, SoCalGas has submitted for approval a fixed price agreement between SoCalGas and Vandenberg for the sale of one of its 200 kW fuel cells which was originally purchased as part of SoCalGas' Fuel Cell Program.

#### NOTICE

1. Advice Letter 2223-G was served on other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of General Order 96-A.

#### PROTESTS

1. No protests have been received by the Commission Advisory and Compliance Division (CACD).

#### DISCUSSION

1. In Advice Letter 1856 (filed February 16, 1989), SoCalGas described its new Fuel Cell Program as follows:

SoCalGas proposes a program whereby it will offer the fuel cell as a Partial Energy Service to selected customers. The fuel cell units will be placed at chosen sites that will fully utilize the electric and thermal outputs. SoCalGas will own and install the equipment and be responsible for providing any necessary service and maintenance. Participating customers will be responsible for the proper and efficient use of the system.....

2. In Resolution G-2871 and D.90-01-016, the Commission approved SoCalGas' proposed Fuel Cell Program and authorized SoCalGas to purchase ten phosphoric acid fuel cells for this purpose.

3. To date, the Commission has approved two separate contracts to install, operate and maintain 200 kW fuel cells as part of SoCalGas' fuel cell demonstration program. In both of these cases, SoCalGas has retained ownership of the fuel cell.

4. In Advice Letter 2223-G, SoCalGas is requesting Commission approval of an agreement regarding the sale of one of its 200kW fuel cells. The agreement provides that SoCalGas will sell the fuel cell to Vandenberg but will be responsible for the installation and start-up. SoCalGas will also maintain the fuel cell and gather data on its operation for one year, with an option for a one-year maintenance contract extension. In addition, SoCalGas will provide training to Vandenberg personnel for the operation and maintenance of the fuel cell.

5. Vandenberg had been ordered to install a fuel cell in lieu of paying fines for violations of pollution control standards. After Vandenberg's unsuccessful attempts to purchase a fuel cell from an acceptable manufacturer, Vandenberg contacted SoCalGas for the purchase of one of its fuel cells. SoCalGas claims that although it did not contemplate selling any of the fuel cells in its original Fuel Cell Program, the circumstances at Vandenberg warranted its consideration.

6. Vandenberg stated that it considered leasing a fuel cell consistent with the intent of SoCalGas' Fuel Cell Program, but its regulations discourage long-term leases, particularly without an option to buy. Also, Vandenberg claims that the fuel cell would be installed in a very sensitive area on a military base, so that SoCalGas employees working on the site would have to obtain special security clearance or be escorted at all times. Overall, Vandenberg and SoCalGas determined that a lease arrangement in this case was impractical.

7. Even though the sale would not provide the demonstration benefits directly to SoCalGas' ratepayers that were envisioned through SoCalGas' Fuel Cell Program, the sale allows the ratepayers to receive a return on its investment to date for the purchase of the fuel cell and reimbursement for the costs of providing installation, training, and maintenance of the fuel cell.

8. The Commission Advisory and Compliance Division (CACD) requested and verified workpapers from SoCalGas which demonstrate that the agreement is priced to benefit SoCalGas' ratepayers. The analysis shows that the purchase, operation and maintenance cost to ratepayers for one of SoCalGas' fuel cells from its Fuel Cell Program is about \$700 thousand. With the approval of the fixed price contract with Vandenberg, SoCalGas will collect about \$1.4 million for the sale of one of these fuel cells. Therefore, ratepayers gain about \$700 thousand from this sale.

9. It is SoCalGas' intention to credit all of the income received from this agreement including all gain net of taxes, back to the ratepayers. Proceeds from the agreement in excess of the actual costs related to the sale of the fuel cell will be tracked in an interest bearing memorandum account. The balance of this account will be returned to ratepayers by either reducing the revenue requirement for the 1995 attrition year or by refunding the account balance in another regulatory proceeding, as appropriate.

January 7, 1994

FINDINGS

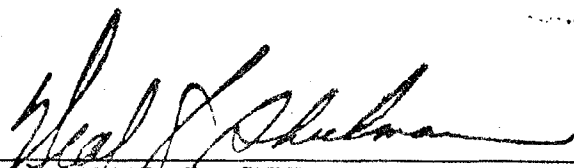
1. The sale of one of SoCalGas' 200 kW fuel cells from its Fuel Cell Program to Vandenberg per the fixed price agreement submitted for approval in Advice Letter 2223 will benefit ratepayers from a cost perspective.
2. SoCalGas intends to credit all of the income received from this fixed price agreement, including all gain net of taxes, back to the ratepayers.
3. SoCalGas will establish an interest bearing memorandum account to track proceeds from the agreement in excess of the actual costs related to the sale of the fuel cell.
4. The balance of the interest bearing memorandum account should be returned to ratepayers by either reducing the revenue requirement for the 1995 attrition year or by refunding the account balance in another regulatory proceeding, as appropriate.

**THEREFORE, IT IS ORDERED that:**

- (1) Southern California Gas Company's fixed price agreement with the United States Air Force at Vandenberg Air Force Base as submitted in Advice Letter 2223-G shall be approved.
- (2) SoCalGas shall establish an interest bearing memorandum account to track proceeds from the agreement in excess of the actual costs related to the sale of the fuel cell.
- (3) The balance of the interest bearing memorandum account shall be returned to ratepayers by either reducing the revenue requirement for the 1995 attrition year or by refunding the account balance in another regulatory proceeding, as appropriate.
- (4) Advice Letter 2223-G shall be marked to show that it was approved by Commission Resolution G-3101.
- (5) This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 7, 1994. The following Commissioners approved it:

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

  
NEAL J. SHULMAN  
Executive Director