Proceeding No.: R.11-02-018
Exhibit No.:
Witnesses:

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Joint Rebuttal Testimony of Southern California Edison (SCE), San Diego Gas and Electric (SDG&E), Southern California Gas (SoCalGas), Bear Valley Electric Service (BVES), PacifiCorp d.b.a. Pacific Power (PacifiCorp), Liberty Utilities (CalPeco Electric) LLC, The Utility Reform Network (TURN), and Division of Ratepayer Advocates (DRA)

Before the

Public Utilities Commission of the State of California

Rosemead, California
August 30, 2013

LIMS-314-5267

Pursuant to the Assigned Commissioner's Second Amended Ruling and Scoping Memo (Scoping Memo) issued on July 17, 2013 in Rulemaking (R.) 11-02-018, Southern California Edison Company (SCE), San Diego Gas and Electric Company (SDG&E), Southern California Gas Company (SoCalGas), Bear Valley Electric Service (BVES), PacifiCorp d.b.a. Pacific Power (PacifiCorp), Liberty Utilities (CalPeco Electric) LLC,[1] The Utility Reform Network (TURN), and the Division of Ratepayer Advocates (DRA) (collectively, the "Joint Parties") submit this joint rebuttal testimony.

I.

INTRODUCTION

In accordance with the Scoping Memo's urging parties to "continue to work together to explore the potential for consensus or partial consensus," SCE, SDG&E, SoCalGas, BVES, Liberty Utilities, and PacifiCorp had multiple discussions with PG&E and other parties supporting PG&E's proposal but were unsuccessful in achieving even partial consensus.[2] Based on the Scoping Memo, the Joint Parties have presented a plan that differs significantly from their original proposal[3] and offers a much higher incentive to increase prior low mobilehome park (MHP) conversion rates.[4] This plan meets the Commissioner's request to develop an implementable MHP master-meter conversion pilot program based on the components outlined in the Scoping Memo.[5]

The Joint Parties' plan will establish a three-year pilot program to convert a limited number of MHPs that voluntarily seek direct natural gas and/or electric service from a Commission-jurisdictional utility in lieu of continuing to operate a master-metered/sub-metered system. The Commission's Safety

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[1] By Advice Letter 28-E submitted on July 15, 2013, California Pacific Electric Company, LLC notified the Commission of its formal change in name as of that date to Liberty Utilities (CalPeco Electric) LLC.

[2] Scoping Memo, p. 5.

[3] The Joint Parties' original proposal (Exhibit 2) offered a conversion credit that was designed to assist MHP owners with costs of replacing their utility systems in order to transfer to direct utility service.

[4] DRA proposes that some cost-sharing mechanism as proposed in the Joint Parties' original proposal be maintained to ensure some cost accountability and equity as described in the Joint Parties' Opening Testimony, Section 7, DRA Position on Cost Sharing.

[5] Scoping Memo, pp. 4-5.

and Enforcement Division (SED) will prioritize the MHPs with natural gas systems. SED has developed a preliminary eligibility list identifying MHPs in the greatest need of converting their existing master-metered/sub-metered gas systems based on safety concerns. Electric-only systems will be prioritized on a first-come, first-served basis unless there is a documented safety concern. Gas system replacement will take priority over electric-only system replacement. During the pilot program, all up-to-the-meter costs pertaining to the MHP conversions will be funded by the utilities' ratepayers.[6]

In contrast, PG&E proposes an open-ended program to replace MHP utility systems, including facilities beyond the meter, at 100% ratepayer expense for all MHPs that volunteer for direct utility service until the Commission terminates the program or until conversion of all pre-1997 MHPs to direct utility service is complete.[7] PG&E's August 19, 2013 supplemental testimony is essentially the same as its initial proposal presented on October 5, 2012—a proposal that Commissioner Florio stated was "costly" and a proposal he "cannot support."[8] While PG&E states that it is sensitive to concerns about the total cost of an MHP conversion program, PG&E makes no attempt to revise its proposal to address these concerns, as recommended by the Commissioner in his Scoping Memo.[9]

II.

THE COMMISSION SHOULD REJECT PG&E'S PROPOSAL

A. Ratepayers Should Not Fund Beyond-the-Meter Costs

PG&E continues to recommend that any MHP conversion program include construction beyond the meter.[10] PG&E's proposal to have utilities fund all work, both to and beyond the meter, does not

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6 *See* Joint Parties' testimony submitted August 19, 2013.

7 PG&E's supplemental testimony, jointly sponsored by Southwest Gas, Western Manufactured Housing Communities Association, Golden State Manufactured Home Owners League, Coalition of California Utility Employees, and San Luis Rey Homes, submitted on August 19, 2013.

8 Scoping Memo, pp. 3-4; Exhibit 3 (referred to as the "PG&E proposal") sponsored by PG&E, Southwest Gas, Western Manufactured Housing Communities Association (WMA), Golden State Manufactured Home Owners League (GSMOL), Coalition of California Utility Employees (CCUE) and San Luis Rey Homes (SLRH) and PG&E's supplemental testimony submitted August 19, 2013, p. 1-1.

9 PG&E's supplemental testimony submitted August 19, 2013, p. 1-5.

10 *Id.* at p. 1-1.

make sense. The clear establishment of the meter as a physical demarcation between the utility domain and consumer domain does make sense. Commission policy should continue to approach the utility domain and consumer domain separately, and the responsibility for paying for work related to these two domains should also remain separate.

A clear demarcation between the two domains represents the first layer of defense in regulating utility assets. Without this clear demarcation, it can be difficult to determine a responsible party's respective obligations. Utilities should not be put in a position in which ratepayers may be liable if there is an accident or other problem with customer-owned equipment on customer property or within a customer's home. Customers are currently, and should remain, responsible for the condition of infrastructure on their own property. As for funding, the Joint Parties strongly oppose utilities and ratepayers being required to bear the costs of upgrading facilities beyond the meter.

B. PG&E's Proposal Is Too Broad in Scope and Cost

The Commissioner's Scoping Memo specifically directed the parties to develop a three-year initial term so that the Commission may assess whether to extend the conversion program.[11] The Joint Parties agree that, at this time, a limited program that the Commission may assess is an appropriate next step in this proceeding. There is almost no information on the record as to the actual condition of California's MHPs,[12] where and how past master-meter discount money has been spent, or the ability of MHP owners to pay for the substantial and valuable upgrades to their properties under consideration in this proceeding. Yet, PG&E persists in proposing an open-ended program that continues indefinitely until the Commission terminates the program or until all MHPs are converted, which would amount to committing utilities and ratepayers to years of expense, work, and potential liability.

PG&E's proposal is not only beyond the scope of the direction proposed by the Commissioner but also extremely and unreasonably costly to ratepayers. PG&E's revenue requirement forecast for its

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11 Scoping Memo, p. 4.

12 Other than an analysis by SED dated February 15, 2012 which shows that 7% of natural gas MHPs would require more inspections under a risk-based approach for scheduling inspections. http://docs.cpuc.ca.gov/WORD_PDF/REPORT/159709.pdf

proposal, over a three-year period, is almost ten times greater than the three-year revenue requirement forecast presented by all of the Joint Parties combined.[13] Additionally, PG&E's revenue requirement forecast for just one year of its proposal is five times larger than the three-year pilot program revenue requirements forecast by the Joint Parties combined.[14] Funding PG&E's exorbitant proposal would be unfair to ratepayers, especially because ratepayers have already been subsidizing these systems via the master-meter discount for years.[15]

C. PG&E's Numbers Are Incomplete and Do Not Appear to Reflect the Open-Ended Nature of PG&E's Proposal

The Scoping Memo requests a proposal that includes cost and rate impacts, which the Joint Parties provided along with estimated participation numbers. However, PG&E's numbers provide no estimates for the number of spaces converted and rate impacts for only the first year of the program, which only includes some application and planning costs prior to the start of construction.[16] Furthermore, because PG&E's proposed program is open-ended and "proposes to receive and process applications on an ongoing basis through the 3-year initial term and beyond,"[17] the single year rate impacts PG&E provides of 0.08% for electric service and 0.29% for gas[18] are incomplete. PG&E's total revenue requirements for the following years, 2015 and 2016, are significantly higher. However, PG&E offers no testimony on the rate impact for those years.

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[13] *See* PG&E's supplemental testimony submitted August 19, 2013, p. 1-4. 2014 through 2016 forecast revenue requirements for PG&E's proposal are estimated to be $153.2 million. In comparison, the revenue requirement forecast for SCE, SoCalGas, SDG&E, PacifiCorp, Liberty Utilities and BVES for the three-year pilot are estimated to be $16 million (Joint Parties' Additional Testimony, p. 25).

[14] PG&E's supplemental testimony submitted August 19, 2013, p.1-4. Year 2016 revenue requirement for PG&E is $81.5 million. In comparison, the three-year pilot revenue requirements for SCE, SoCalGas, SDG&E, PacifiCorp, Liberty Utilities and BVES combined are $16 million.

[15] Joint Proposal of TURN and GSMOL in R.11-02-018, filed October 21, 2011, p. 2, fn. 1. A 100-space park that received an average $0.20/space/day discount over 33 years would have received more than $240,000 under the sub-meter credit.

[16] Assuming PG&E's even attempts to follow the guidance in the revised scoping memo, Attachment A.

[17] PG&E page 1-3, lines 2-3.

[18] PG&E, Table 2.

PG&E's proposal would be extremely costly to ratepayers. PG&E's revenue requirement forecast for its proposal, over a three-year period, is almost ten times greater than the three-year revenue requirement forecast presented by all of the Joint Parties combined.[19] The greater concern, however, is that PG&E's proposal commits ratepayers and utilities to years of potentially unnecessary construction, waste, and cost for the next 20 to 30 years.

Additionally, PG&E's revenue requirement forecast for just one year of its proposal is five times larger than the three-year pilot program revenue requirements forecast by the Joint Parties combined.[20] Funding PG&E's costly proposal would be unfair to ratepayers, especially because ratepayers have already been subsidizing these systems via the master-meter discount for years.[21] If adopted, PG&E's open-ended ratepayer-funded wealth transfer to MHP owners will likely result in a cost of at least $2.5 billion to PG&E's ratepayers.[22]

D. PG&E's Proposal Lacks Oversight

PG&E's repeated requests for the waiver of any type of Commission oversight or cost review supports the need for the Commission to adopt the Joint Parties' proposed MHP program, which limits the program to three years and would require further Commission mandate or authority before the program may be extended beyond the pilot years. The Joint Parties also propose a report at the end of the pilot program to help the Commission understand the existing conditions and the actual costs of the MHP replacement program.[23] While the Joint Parties have made a good faith effort in supplemental

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[19] *See* PG&E's supplemental testimony submitted August 19, 2013, p. 1-4. 2014 through 2016 forecast revenue requirements for PG&E's proposal are estimated to be $153.2 million. In comparison, the revenue requirement forecast for SCE, SoCalGas, SDG&E, PacifiCorp, Liberty Utilities and BVES for the three-year pilot are estimated to be $16 million (Joint Parties Additional Testimony, p. 25).

[20] *Id.* at p.1-4. Year 2016 revenue requirement for PG&E is $81.5 million. In comparison, the three-year pilot revenue requirements for SCE, SoCalGas, SDG&E, PacifiCorp, Liberty Utilities and BVES combined are $16 million.

[21] Joint Proposal of TURN and GSMOL in R.11-02-018, filed October 21, 2011, p. 2, fn. 1. A 100-space park that received an average $0.20/space/day discount over 33 years would have a little over $240,000 in discounts.

[22] PG&E Opening Testimony, filed October 5, 2012. PG&E's estimate operating and maintenance costs as well as any cost escalation to account for changes in costs likely to occur during the program period.

[23] *See* Joint Parties' testimony submitted August 19, 2013, p. 13.

testimony to comply with the substance of the Scoping Memo, PG&E has chosen to present the same MHP conversion program, which has been previously rejected, with no changes made to mitigate the flaws previously pointed out by either the Joint Parties or Commissioner Florio. PG&E again proposes a two-way balancing account with no limit to the costs PG&E would recover from ratepayers. The Commission should reject this proposal because it is essentially a request for a blank check to fund open-ended construction projects on third-party systems using a pre-authorized two-way balancing account. At the very least, such a request demands an audit or significant Commission oversight of some form.

1. The PG&E-Proposed Waiver of Any Type of Commission Oversight or Review Only Supports the Need for Cost Sharing (Section Sponsored by DRA)

The DRA cost-sharing proposal also ensures that both utility ratepayers and MHP owners share a stake in the investment costs and provides a balance in which both the utility and MHP have an incentive to control costs.[24] In contrast, the proposed PG&E conversion program seems designed merely to inflate PG&E's ratebase to its own self-serving benefit at ratepayer expense and provides a sizable wealth transfer to MHP owners without regard to cost, fairness, or reasonableness.

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[24] *See* DRA's position on cost sharing in the Joint Parties Additional Testimony submitted on August 19, 2013, Section 7.