

Rulemaking: 11-02-018  
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Exhibit No.: \_\_\_\_\_  
Date: October 25, 2012  
Witness: Marsial R. Fernandez

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**PACIFIC GAS AND ELECTRIC COMPANY**

**MOBILE HOME PARKS AND MANUFACTURED HOUSING  
COMMUNITIES SERVICE TRANSFER TO ELECTRIC AND GAS  
CORPORATIONS**

**REBUTTAL TESTIMONY**

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PACIFIC GAS AND ELECTRIC COMPANY  
REBUTTAL TESTIMONY OF MARSIAL R. FERNANDEZ

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1 **B. Safety and Reliability**

2 Q 3 Does the Joint Parties' proposal to allow a maximum five year participation  
3 of 10 percent of MHP spaces in each IOU's service territory<sup>2</sup> address the  
4 safety and reliability of utility service at master-metered MHPs?

5 A 3 On the contrary, limiting program participation to a maximum of 10 percent  
6 of MHP spaces in each IOU's service territory, by definition, excludes  
7 90 percent of MHP spaces and does not fully address the safety and  
8 reliability of gas and electric utility service at MHPs. Assuming the program  
9 continues after the five year period at the same limited participation rate, the  
10 program would need to remain in existence for 50 years to ensure all MHP  
11 spaces are afforded the opportunity to address safety and reliability under  
12 such a program. A voluntary conversion program, with a focus of safety and  
13 reliability for MHPs and their residents, should provide an opportunity for all  
14 MHPs to participate within a reasonable timeframe without uncertainty  
15 regarding eligibility and timing.

16 Q 4 Are there benefits to a shorter program that limits participation like the  
17 five year program proposed by the Joint Parties?

18 A 4 A shorter program with participation limits may appear to limit ratepayer  
19 impacts; however, such an approach may actually increase program costs  
20 and reduce construction efficiencies. A limited program will require  
21 construction and other utility resources to move around an IOU's service  
22 territory when available and needed, incurring additional cost, instead of  
23 having dedicated resources for the duration of the MHP program. The  
24 Commission and parties will also incur additional costs to revisit the same  
25 issues of MHP safety and reliability in the future.

26 Q 5 Does the proposed conversion credit<sup>3</sup> provide sufficient incentive for MHPs  
27 to voluntarily participate in the program proposed by the Joint Parties?

28 A 5 The Joint Parties do not present evidence that demonstrates the proposed  
29 conversion credit of up to \$8,000 per space for the conversion of gas and  
30 electric (up to \$4,000 for each commodity), or between 29 percent and

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2 Joint Parties, pp. 1-2.

3 Joint Parties, p. 11.

1 56 percent of the to-the-meter costs estimated by the large IOUs,<sup>4</sup> is  
2 sufficient to incent a MHP owner to participate in a voluntary conversion  
3 program. Likewise, there is no support to suggest the MHP owners, who  
4 would be responsible for 44 percent to 71 percent of the to-the-meter costs  
5 not covered by the proposed credit plus 100 percent of the  
6 beyond-the-meter costs, would be able to contribute such amounts under  
7 the Joint Parties' proposed program. A hypothetical 100 space MHP served  
8 by SCE and SoCalGas is estimated to cost \$2.13 million for conversion of  
9 facilities to-the-meter.<sup>5</sup> Including the proposed to-the-meter conversion  
10 credit of \$8,000 per space equates to \$1.33 million to be borne by the MHP  
11 owner. Adding the estimated \$1.09 million for facilities beyond-the-meter,<sup>6</sup>  
12 the MHP owner would be responsible for approximately \$2.4 million under  
13 the Joint Parties' proposal. Faced with such a bill, the MHP owner may  
14 want to apply for the conversion to solve safety problems, but there is no  
15 evidence in this record that a limited conversion credit will not operate as a  
16 bar that prevents program participation of MHPs with the most vulnerable  
17 MHP residents.

18 Q 6 Does excluding any credit for the beyond-the-meter work diminish safety  
19 and reliability?

20 A 6 Not offering a credit for work to be completed beyond-the-meter further limits  
21 MHP participation and does not ensure that the safety and reliability  
22 improvements will actually benefit MHP residents. Furthermore, the Joint  
23 Parties' proposal<sup>7</sup> did not include a requirement for an inspection of existing  
24 gas and electric metering facilities (e.g., circuit breaker panels, houselines)  
25 to be performed where the MHP owner decided not to replace that  
26 equipment. As a result, the safety and reliability of facilities beyond the

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4 R.11-02-018 Mobile Home Parks and Manufactured Housing Communities Service Transfer to Electric and Gas Corporations Joint Cost Report, July 13, 2012, p. 38. The credit as proposed by the Joint Parties is 29 percent of SCE's, 55 percent of SoCalGas', and 55 percent of SDG&E's respective to-the-meter cost estimates (p. 38, line 28). The percentages are lower as SCE, SoCalGas, and SDG&E excluded estimates for outreach and program management costs.

5 R.11-02-018 Mobile Home Parks and Manufactured Housing Communities Service Transfer to Electric and Gas Corporations Joint Cost Report, July 13, 2012, p. 38, line 28.

6 Id., line 29.

7 The Joint Parties propose that "The IOUs will not energize a service delivery point until all permitted work performed beyond the meter has been inspected and released by the Authority Having Jurisdiction." Joint Parties, p. 5.

1 service delivery point, and the safety of MHP residents, cannot be  
2 guaranteed as an inspection by the building safety authority may not be  
3 performed prior to system cut-over to direct utility service.

4 **C. MHP Conversion Program Prioritization**

5 Q 7 Do you agree with the proposal of the Joint Parties to have CPSD generate  
6 a prioritized list on at least an annual basis?<sup>8</sup>

7 A 7 No. While the proposal of the Joint Parties appropriately identifies CPSD as  
8 the agency with inspection jurisdiction over gas systems, any proposed  
9 prioritization process should incorporate information from the Department of  
10 Housing and Community Development (HCD) or other city or county  
11 regulatory agency with inspection authority in order to appropriately prioritize  
12 both gas and electric system conversions. The exclusion of electric facility  
13 safety in MHP conversion prioritization may lead to a situation where  
14 electric-only parks with safety issues<sup>9</sup> are not prioritized, and, as a result of  
15 the limited participation five year program proposed, MHP residents may  
16 continue to experience safety, reliability, and capacity issues.

17 Q 8 Do you agree with the Joint Parties that the utilities maintain discretion for  
18 scheduling the MHP conversion outside of CPSD's prioritized list and detail  
19 any deviations in a proposed annual report?<sup>10</sup>

20 A 8 No. Prioritization should reside with the Commission, HCD, or other city or  
21 county regulatory agency with safety authority using an objective set of  
22 criteria to ensure all participating MHPs are appropriately evaluated for  
23 safety, reliability, and capacity. Deviation from such a prioritization  
24 approach would be imprudent in light of this rulemaking's goal of safe and  
25 reliable utility service.

26 **D. Program Efficiency and Uncertainty**

27 Q 9 Does a five year program horizon create procedural inefficiencies?

28 A 9 A shorter program that limits participation to 10 percent of spaces within an  
29 IOUs service territory, requires parties and the Commission to revisit the

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8 Joint Parties, pp. 3-4.

9 For example, electric system safety issues may include those discussed in PG&E's direct testimony of Wade W. Haley, October 5, 2012, pp. 2-3.

10 Joint Parties, p. 3.

1 program in 4 years or less in order to prevent any lag in construction activity.  
2 Comprehensively addressing the issues in this proceeding with a program  
3 that provides an opportunity for all MHPs to participate obviates the need to  
4 dedicate additional party and Commission resources to the same issues in  
5 the future.

6 Q 10 The Joint Parties propose collection of program data by the MHP owner and  
7 IOUs, and imply that future changes to the MHP conversion program may  
8 be appropriate.<sup>11</sup> Do you agree?

9 A 10 There is neither evidence to suggest such data will be accurately reported  
10 by program participants,<sup>12</sup> nor a basis to conclude such data will be useful  
11 to modify the conversion program in the future. What is evident in the  
12 record is that existing master-metered MHP utility systems do not meet the  
13 same safety and reliability standards as direct utility service and the MHP  
14 systems will continue to degrade. Expending time and effort to track and  
15 report data that may never be utilized, or that is otherwise irrelevant in a  
16 proposal that comprehensively addresses all MHPs, creates program cost  
17 inefficiencies, is administratively burdensome for both utilities and the  
18 Commission, and further risks the safety and well-being of MHP residents.

19 Q 11 Does the Joint Parties' proposed collection of program data<sup>13</sup> provide useful  
20 data to, in the future, adjust the conversion program to address the  
21 remaining 90 percent of MHPs excluded from the Joint Parties' proposed  
22 conversion program?

23 A 11 No. The data collection proposed by the Joint Parties would be an  
24 unrepresentative sample of only those MHPs that could afford the  
25 conversion costs beyond the proposed conversion credit. This creates an  
26 inherently biased sample that will provide neither an accurate nor useful  
27 model for addressing the remaining 90 percent of MHPs that could not  
28 voluntarily participate in the Joint Parties' conversion program.

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**11** Joint Parties, p. 10 and Appendix A.

**12** Under the current transfer process as defined in California Public Utilities Code Section 2791-2799, there is an incentive for transfer applicants to not report actual applicant costs to the utility. This is due to the income tax contribution component (ITCC) associated with the value of systems transferred to the utility.

**13** Joint Parties, p. 10 and Appendix A.

1 Q 12 Do you foresee any unintended consequences that may result due to  
2 proposal of the Joint Parties?

3 A 12 The proposal of the Joint Parties creates considerable uncertainty for MHP  
4 residents, MHP owners, and utilities due to its short-term, limited scope, and  
5 limitation on participation. MHP residents are currently living with risk and  
6 uncertainty as the MHP owner decides whether or not to convert to direct  
7 utility service; the proposal of the Joint Parties induces additional uncertainty  
8 as MHP residents may never realize the benefits of a system that is up to  
9 utility standards. Additionally, re-assessment of the program, including the  
10 proposed conversion credit, in less than 4 years, creates further uncertainty  
11 for MHP owner as the conversion credit or program may change, and makes  
12 it difficult for a utility to efficiently mobilize its resources.

13 Q 13 The Joint Parties propose that, should the MHP owner be unable to fulfill its  
14 obligations to subsidize the conversion costs and complete the  
15 beyond-the-meter upgrades, the utility would make a business decision as  
16 to whether or not to continue the project, and file an advice letter with the  
17 Commission to decide whether to proceed or stop.<sup>14</sup> Do you agree?

18 A 13 No. Construction projects, particularly those at MHPs, may create their own  
19 safety issues including open or plated trenches and temporary road  
20 realignment with uneven pavement that are obstacles for MHP residents.  
21 As a result, once construction commences to convert a MHP from  
22 master-metered service to direct service from the utility, every effort should  
23 be made to avoid delays and complete construction as expeditiously as  
24 possible. Furthermore, should an advice letter not be approved, the MHP  
25 residents and MHP owner are left with potentially unlivable conditions at a  
26 MHP with no recourse. Risking construction completion and requiring  
27 additional party and Commission resources to participate in the advice letter  
28 process should be avoided.

29 **E. Cost Recovery and Ratemaking**

30 Q 14 Do you agree with the Joint Parties proposal to set annual and program  
31 capital expenditure maximums?<sup>15</sup>

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14 Joint Parties, pp. 12-13.

15 Joint Parties, pp. 13-15.



1 A 14 No. The Joint Parties appropriately recognize there is considerable  
2 uncertainty with a MHP conversion program,<sup>16</sup> which is adequately  
3 addressed with the proposed 2-way balancing accounts, recovery of costs  
4 on a forecast basis, and full recovery of costs.<sup>17</sup> However, the proposed  
5 capital expenditure limits do not address the real possibility that such  
6 uncertainty may result in a large IOU spending the total proposed annual or  
7 even the entire five year program maximum on the conversion of one  
8 MHP.<sup>18</sup> Furthermore, artificially establishing such annual and program  
9 capital expenditure maximums may likely result in conversion program  
10 duration variations across the state, construction inefficiencies (and  
11 increased costs) if work is stopped, and the introduction of new safety  
12 issues for MHP residents as identified in response to question 12 above.

13 Q 15 Given your responses to the questions above, is it your opinion that the Joint  
14 Parties appear to be placing more emphasis on program costs and  
15 ratepayer impacts than MHP resident safety and utility system reliability?

16 A 15 Yes. The Joint Parties' proposal limits program participation, sets limits for  
17 annual and program capital expenditures, adds additional unnecessary  
18 regulatory procedures,<sup>19</sup> and pushes the issues of MHP safety and reliability  
19 "down the road" to be revisited after considerable effort is expended by  
20 parties to collect potentially irrelevant and inaccurate information.  
21 Furthermore, the Joint Parties dedicated much of the testimony to a  
22 discussion of costs, cost responsibility, reporting, and metrics for future  
23 program evaluation; safety and prioritization appeared to be less of a  
24 focus.<sup>20</sup> In designing a program, parties should be sensitive not just to  
25 overall conversion program cost, but to the more than 500,000 California  
26 MHP residents who may live with fear and uncertainty regarding the safety  
27 and reliability of their basic utility services.

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<sup>16</sup> Joint Parties, p. 15, line 19.

<sup>17</sup> Joint Parties, pp. 15-16.

<sup>18</sup> The Joint Parties do recognize that a small and multijurisdictional IOU may in fact achieve the proposed five year capital expenditure maximum through the conversion of one MHP. Joint Parties, p. 14, line 19.

<sup>19</sup> For example, the proposed advice letter filings are unnecessary given the Joint Parties' proposal to recover costs on a forecast basis, establish new two-way balancing accounts, and receive full recovery of costs.

<sup>20</sup> Joint Parties, p. 3, line 11 through p. 4, line 19.