

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking into  
Transfer of Master-Meter/Submeter  
Systems at Mobilehome Parks and  
Manufactured Housing Communities to  
Electric and Gas Corporations.

Rulemaking 11-02-018  
(Filed February 24, 2011)

**SECOND OPENING BRIEF OF  
SOUTHWEST GAS CORPORATION (U 905G)**

Catherine M. Mazzeo  
5241 Spring Mountain Road  
Las Vegas, NV 89150-0002  
Telephone: 702.876.7250  
Facsimile: 702.252.7283  
[catherine.mazzeo@swgas.com](mailto:catherine.mazzeo@swgas.com)  
*Attorney for Southwest Gas Corporation*

October 8, 2013

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

## TABLE OF CONTENTS

I. INTRODUCTION .....	3
II. JURISDICTION AND AUTHORITY .....	6
III. ISSUES .....	8
IV. PROGRAM COSTS .....	15
V. CONCLUSION AND RECOMMENDATIONS.....	20

**TABLE OF AUTHORITIES**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

CALIFORNIA CONSTITUTION

Article XII.....7

STATUTES AND LEGISLATION

Cal. Pub. Util. Code § 701 .....7

Cal. Pub. Util. Code § 2791-2799 .....6, 7

OTHER AUTHORITIES

Commission Rules of Practice and Procedure, Rule 13.11.....3

R.11-02-018.....3

1 **BEFORE THE PUBLIC UTILITIES COMMISSION**  
2 **OF THE STATE OF CALIFORNIA**

3 Order Instituting Rulemaking into  
4 Transfer of Master-Meter/Submeter  
5 Systems at Mobilehome Parks and  
6 Manufactured Housing Communities to  
7 Electric and Gas Corporations.

8 Rulemaking 11-02-018  
9 (Filed February 24, 2011)

10 **SECOND OPENING BRIEF OF**  
11 **SOUTHWEST GAS CORPORATION (U 905 G)**

12 **I. Introduction**

13 In accordance with Rule 13.11 of the Rules of Practice of the California Public  
14 Utilities Commission (Commission), and pursuant to the July 17, 2013 Assigned  
15 Commissioner's Amended Scoping Memo and Ruling, along with the authorization granted  
16 by Administrative Law Judge (ALJ) Vieth extending the deadlines for filing Opening and  
17 Reply Briefs to October 8, 2013 and October 18, 2013 respectively, Southwest Gas  
18 Corporation (Southwest Gas or Company) respectfully submits its Second Opening Brief in  
19 this matter.

20 **A. Procedural Background**

21 On August 20, 2010, the Western Manufactured Housing Communities Association  
22 (WMA) petitioned the Commission to open a rulemaking aimed at increasing the number  
23 of master-metered mobilehome park (MHP) transfers through the development of a more  
24 streamlined approach to the transfer process.

On February 25, 2011, the Commission opened Rulemaking 11-02-018  
("Rulemaking") to determine, "What can and should the Commission do to encourage the  
replacement of [Mobilehome Park] submeter systems with direct utility service on a

1 reasonable basis and in a manner both timely and fair to all concerned?”<sup>1</sup> The  
2 Commission noted that, “[a]ny answer to this question must address...safety/reliability,  
3 transfer prioritization and reasonableness of cost allocation, all of which have undisputed  
4 merit.”<sup>2</sup> It therefore sought “...creative solutions...” by means of a collaborative approach  
5 among all parties.<sup>3</sup> Accordingly, the parties to this Rulemaking<sup>4</sup> explored opportunities to  
6 improve upon the transfer process and address the concerns raised by the Commission.  
7 The parties participated in workshops and confidential settlement discussions, and the  
8 utilities compiled a Joint Utility Cost Report<sup>5</sup> using a sample MHP to illustrate each utility’s  
9 estimated MHP replacement costs.

10 Direct testimony was submitted October 5, 2012 and rebuttal testimony was  
11 submitted October 25, 2012. On November 2, 2012, the parties agreed to forego the  
12 scheduled workshops and evidentiary hearings, and proceed directly to briefing. In  
13 addition, on November 20, 2012, the parties stipulated to admit certain evidence into the  
14 record for this proceeding, and to follow a common briefing outline. Concurrent opening  
15 briefs were filed December 14, 2012 and reply briefs were filed January 18, 2013.

16 On February 7, 2013, the Joint Ruling of the Assigned Commissioner and  
17 Administrative Law Judge revised the procedural schedule to allow for a workshop specific  
18 to the issues of prioritization of MHP conversions and certain financing options. The  
19 workshop was conducted on March 4, 2013.

20 \_\_\_\_\_  
<sup>1</sup> Order Instituting Rulemaking (OIR) at 15.

21 <sup>2</sup> Id.

<sup>3</sup> Id. at 1.

22 <sup>4</sup> In addition to Southwest Gas, the parties include: Pacific Gas and Electric Company (PG&E), Southern  
23 California Edison (SCE), San Diego Gas and Electric (SDG&E), Southern California Gas (SoCalGas), Bear  
24 Valley Electric Service (BVES), PacifiCorp, d.b.a. Pacific Power (PacifiCorp), California Pacific Electric  
Company (CalPeco), Western Manufactured Housing Communities Association (WMA), Golden State  
Manufactured Home Owners League (GSMOL), Coalition of California Utility Employees (CCUE), San Luis  
Rey Homes (SLRH), The Utility Reform Network (TURN), and the Division of Ratepayer Advocates (DRA).

<sup>5</sup> Exhibit 1.

1 On July 17, 2013, the Assigned Commissioner issued an Amended Ruling and  
2 Scoping Memo, which changed the procedural categorization of this proceeding to  
3 ratesetting and called for both additional written testimony and evidentiary hearings.  
4 Parties served additional testimony on August 19, 2013, and additional rebuttal testimony  
5 on August 30, 2013. Evidentiary hearings were conducted by ALJ Vieth on September 9  
6 and 10, 2013.

7 **B. Overview**

8 Southwest Gas and PG&E both developed MHP conversion proposals which are  
9 supported by WMA, GSMOL, CCUE and SLRH and include the following key  
10 characteristics:<sup>6</sup>

- 11 • Voluntary participation by MHP owners;
- 12 • Full replacement of MHP facilities through installation of a parallel system  
13 owned and maintained by the utility;
- 14 • “Beyond the meter” costs included in the program;
- 15 • Outreach and education for MHP owners and residents, as well as other entities  
16 potentially impacted by each conversion; and
- 17 • Recovery of program costs from utility customers in a fair and timely manner.

18  
19 The competing proposal offered by SCE, SoCalGas, SDG&E, BVES, PacifiCorp,  
20 CalPeco, TURN and DRA (collectively, Joint Parties) offers a 3-year pilot program with  
21 limited opportunities for MHP participation and does not include “beyond-the-meter” work.<sup>7</sup>  
22 The Joint Parties’ proposal imposes a cap on the number of MHP conversions that each

23 <sup>6</sup> While there are some slight differences between the Southwest Gas and PG&E proposals, they are  
24 conceptually the same. See generally, Exhibit 3.

<sup>7</sup> See generally, Exhibit 17.

1 utility can undertake within the pilot period.<sup>8</sup> Investor-owned utilities (IOUs) will complete  
2 no more than approximately two percent of their total number of MHP spaces, while small  
3 multi-jurisdictional utilities (SMJUs) will each convert only 1 park.<sup>9</sup> The Joint Parties  
4 further recommend that at the conclusion of the 3-year pilot period, the Commission  
5 undertake a new analysis to determine if the program should continue.<sup>10</sup> A majority of the  
6 Joint Parties recommend that their program be fully funded by ratepayers; however, DRA  
7 states that it is "...unable to sign on to the totality of [the Joint Parties'] proposal",<sup>11</sup> and  
8 instead recommends a 50/50 cost sharing between MHP owners and utility customers.<sup>12</sup>

9 As demonstrated herein, Southwest Gas and PG&E offer an approach that  
10 reasonably and comprehensively responds to the inquiries raised in this Rulemaking,  
11 based upon the evidence presented. Conversely, the Joint Parties' proposal fails to  
12 thoroughly address several important aspects related to MHP conversions, conflicts with  
13 the evidence in the record, and falls short of accomplishing the Commission's stated  
14 goals.

## 15 **II. Jurisdiction and Authority**

16 California law requires the direct-metering of electric and natural gas services in  
17 MHPs constructed after January 1, 1997.<sup>13</sup> Owners of MHPs constructed prior to 1997 are  
18 able to voluntarily transfer to direct utility service pursuant to the statutory framework  
19 outlined in Sections 2791 through 2799 of the California Public Utilities Code (PU Code).<sup>14</sup>  
20 However, the evidence overwhelmingly demonstrates that transfers provided for under the

---

21 <sup>8</sup> Id. at pp. 9-10.

22 <sup>9</sup> Id.

23 <sup>10</sup> Id. at p. 13, ll. 10-17.

24 <sup>11</sup> Id. at p. 17, ll. 10-11.

<sup>12</sup> Id. at p. 20, ll. 14-15.

<sup>13</sup> PU Code §2791(c).

<sup>14</sup> OIR at 5-7. See also, Reference Exhibit A.

1 PU Code are too few and far between. With more than roughly 4,000 master-metered  
2 MHPs throughout the state,<sup>15</sup> the utilities subject to this proceeding have completed a  
3 combined total of approximately 30 MHP transfers since PU Code Sections 2791 through  
4 2799 went into effect in 1997.<sup>16</sup>

5 The California Constitution vests the Commission with broad authority to establish  
6 rules and procedures, and fix rates for the utilities subject to its jurisdiction.<sup>17</sup> The PU  
7 Code also authorizes the Commission to "...supervise and regulate every public utility in  
8 the State...and do all things...necessary and convenient in the exercise of such power and  
9 jurisdiction."<sup>18</sup> Under such broad authority, the Commission previously approved a utility  
10 proposal to fund the cost of converting customer-owned meter panels with Rule 20A funds,  
11 "...in order to accelerate the program to replace overhead with [sic] electrical facilities with  
12 underground electric facilities."<sup>19</sup> Not unlike the concerns expressed by the Commission in  
13 this proceeding, Electric Rule 20 encompasses the notion that, "...the general preference  
14 of the Commission is to provide electric service via underground electric systems for safety  
15 and reliability reasons."<sup>20</sup> Accordingly, the Commission has the requisite jurisdiction and  
16 authority to approve an MHP conversion program, and specifically, a program that falls  
17 within the parameters suggested by both Southwest Gas and PG&E.

18 ///

19 ///

20

21

---

22 <sup>15</sup> Exhibit 15.  
<sup>16</sup> Exhibit 1 at pp. 43-59. Most, if not all, of SCE's 15 MHP conversions were performed pursuant to its Tariff  
Rules 15 and 16.  
23 <sup>17</sup> California Const., Art. XII.  
<sup>18</sup> PU Code §701.  
<sup>19</sup> Exhibit 22.  
24 <sup>20</sup> Exhibit 1 at p. 41, ll. 2-4.



1 **III. Issues**

2 As mentioned above, the Commission identified three issues of “undisputed merit”  
3 that the parties have endeavored to address in their respective MHP conversion proposals:  
4 (1) safety and reliability; (2) prioritization; and (3) reasonable cost allocation.<sup>21</sup> Throughout  
5 this proceeding additional key issues have arisen. Those issues – the timeline for  
6 conducting outreach, accepting applications and completing construction, and the  
7 frequency and content of program-related reports to the Commission -- were specifically  
8 referenced in the Assigned Commissioner’s July 17, 2013 Amended Scoping Memo and  
9 Ruling. As discussed below, the proposals offered by Southwest Gas and PG&E  
10 adequately address each of these important issues.

11 **A. Safety and Reliability**

12 The safety and reliability of MHP systems is the paramount consideration in this  
13 Rulemaking.<sup>22</sup> With respect to safety and reliability issues, DRA “...does not feel that at  
14 present the record in this proceeding shows sufficient information to justify a conversion  
15 program as broad in scope as that suggested by PG&E.”<sup>23</sup> However, DRA concedes that  
16 it, “[can’t] speak for...the Commission’s inspectors.”<sup>24</sup> Indeed, the Commission’s safety  
17 and reliability concerns are undeniably validated by the evidence provided by its  
18 inspectors,<sup>25</sup> the Safety Enforcement Division (SED), combined with the observations of  
19 engineering and operations experts on behalf of several parties. The record clearly  
20  
21

---

22 <sup>21</sup> OIR at 15.

<sup>22</sup> Id. at pp. 15-16.

<sup>23</sup> Transcript, Vol. 2 at p. 200, ll. 23-27 (DRA/Karle).

<sup>24</sup> Id. at p. 212, ll. 13-15 (DRA/Karle).

<sup>25</sup> Exhibit 14.

1 establishes that factors that could contribute to and/or result in safety and reliability issues  
2 within MHPs include, but are not limited to:<sup>26</sup>

- 3 • Lack of documentation such as installation records, as-built drawings, system  
4 maps, and operations and maintenance records;
- 5 • “Grandfathered” systems that have not been upgraded to meet current safety  
6 and compliance codes; and
- 7 • Systems that are code-compliant but do not meet utility design and/or  
8 installation standards.

9 By limiting the number of MHPs eligible for conversion, the Joint Parties’ approach  
10 is not as effective in achieving the Commission’s efforts to ensure safe and reliable utility  
11 service to MHPs as the approach offered by Southwest Gas and PG&E.<sup>27</sup> First, as  
12 discussed more fully below, the Joint Parties’ suggestion that the Commission wait until  
13 the end of the initial 3-year period to conduct any assessment as to the continued viability  
14 of the program creates an abrupt “stop and start” that lends uncertainty to the process and  
15 could discourage participation on the part of MHP owners.

16 Second, the Joint Parties’ proposal raises several unanswered questions,  
17 particularly with respect to Southwest Gas’ role. The Joint Parties have identified  
18 Southwest Gas as an IOU for the purpose of their proposed program.<sup>28</sup> Although it is not  
19 clear from the evidence and testimony at hearing that all IOUs intend to restrict their  
20  
21

---

22 <sup>26</sup> Exhibit 3 (SWG/Grandlienard), at p. 5, ll. 8-18; Exhibit 3 (PG&E/Haley), at p. 2-4, ll. 3-4; Transcript, Vol.  
23 1 at p. 51, ll. 23-26 (Joint Parties/Martinez); Transcript, Vol. 1 at p. 54, ll. 18-22 (Joint  
24 Parties/Meltzer); Transcript, Vol. 1 at p. 59, ll. 22-25 (Joint Parties/Hayes); Transcript, Vol. 1 at p. 62, ll. 4-  
22 (Joint Parties/Hayes).

<sup>27</sup> OIR at p. 14.

<sup>28</sup> Transcript, Vol. 1 at p. 66, ll. 17-26 (Joint Parties/Hayes and Martinez).

1 programs to two percent of their MHP spaces,<sup>29</sup> assuming that this is in fact the limitation  
2 ultimately imposed by the Commission, the result proves disproportionate for Southwest  
3 Gas. With a total of 3,292 MHP spaces,<sup>30</sup> the Joint Parties' proposal would only allow  
4 Southwest Gas to convert 66 spaces over the first three years of the program.  
5 Conversely, the estimated number of spaces for the other IOUs ranges from 676 to  
6 3,000.<sup>31</sup>

7 The evidence regarding SMJU conversions under the Joint Parties' proposal is also  
8 unclear.<sup>32</sup> However, it appears the Joint Parties intend for SMJU's to only convert one  
9 MHP in the entire pilot period. In its simplest form, this approach seems unworkable. By  
10 only converting a single park, the SMJU approach gives no consideration to other parks –  
11 even if they have similar safety and reliability issues.

12 Further, as a gas-only utility Southwest Gas will necessarily need to coordinate with  
13 the electric providers subject to this proceeding in order to accomplish conversions in the  
14 least disruptive and most cost-effective manner. Based on known service territories, it is  
15 likely that those electric providers include SMJUs such as BVES and CalPeco. Again  
16 assuming that the Joint Parties intend for SMJUs to convert only one MHP during the  
17 initial 3-year period, BVES and CalPeco could (based upon prioritization) end up  
18 converting one of their smaller-sized parks (22 spaces and 3 spaces, respectively).<sup>33</sup> Even

---

19 \_\_\_\_\_  
20 <sup>29</sup> For example, SCE testified that it did not apply a two percent calculation to determine the number of  
21 spaces set forth in its proposal. Transcript, Vol. 1 at p. 65, ll. 1-15 (Joint Parties/Martinez). Similarly, it is  
22 unclear how SDG&E calculated its 2 percent of spaces given its total number of spaces. Transcript, Vol. 1 at  
23 p. 64, ll. 15-26 (Joint Parties/Hayes).

24 <sup>30</sup> Exhibit 33.

<sup>31</sup> Exhibit 17 at p. 8, ll. 6-10.

<sup>32</sup> For example, the SMJUs testify that they "will convert a maximum of one MHP" during the pilot period;  
however, they also represent that they will convert a "maximum number of spaces" based upon the size of  
their largest park. In this case, it is possible that the SMJUs could convert more than one MHP (i.e., if the  
maximum number of spaces is 100, the SMJU could convert two 50-space MHPs). Exhibit 17 at p. 9, ll. 12-  
22. See also, Exhibits 27, 28 and 29.

<sup>33</sup> Exhibit 15.

1 if those smaller-sized MHPs overlap with Southwest Gas, Southwest Gas would still have  
2 41 spaces available to convert. If any of those remaining spaces are in a park that  
3 overlaps with BVES or CalPeco, the Commission's priorities in this Rulemaking are  
4 immediately placed at odds. Either Southwest Gas moves forward with the gas system  
5 conversion, leaving the park to apply for electric conversion at a later date and causing  
6 both utilities to miss out on the cost savings associated with joint trench designs,  
7 combined customer outreach, etc.; or Southwest Gas devotes its remaining space  
8 allotment to parks with lower priority, thereby leaving potential safety and reliability issues  
9 unresolved.

10 The Southwest Gas and PG&E proposals do not impose such seemingly arbitrary  
11 restrictions on program participation. Accordingly, they offer the greatest opportunity to  
12 reach those MHPs ranked highest in terms of potential safety and reliability risk. They  
13 also allow utilities to work together to develop construction designs and outreach  
14 proposals that translate into reduced costs for the utility ratepayers funding the programs.  
15 Compared to the Joint Parties' proposal, Southwest Gas and PG&E offer  
16 recommendations that satisfy the Commission's safety and reliability concerns on a much  
17 broader scale, and with far less complexity.

## 18 **B. Prioritization**

19 The evidence indicates agreement amongst all parties that the responsibility for  
20 prioritizing the MHPs eligible for conversion should rest with SED, the Department of  
21 Housing and Community Development (HCD), or any other authority having jurisdiction  
22 over a particular MHP system, and that enforcement and monitoring authority for the MHP  
23  
24

1 systems should be retained by such agencies until the MHP conversion is complete.<sup>34</sup>  
2 Further, Southwest Gas agrees that prioritization should be driven by the risk assessment  
3 and assigned conversion priority established by SED.<sup>35</sup> Southwest Gas acknowledges  
4 that some MHPs have only electric facilities and therefore, the possibility exists that  
5 conversion of a dual-commodity MHP may be secondary to a high-priority electric-only  
6 conversion. This scenario highlights the importance of a prioritization process that allows  
7 the utilities some degree of flexibility to coordinate with one another and schedule projects  
8 in a timely, yet efficient manner. However, it also underscores the impracticality of the  
9 Joint Parties' proposal. Under the proposals offered by Southwest Gas and PG&E, the  
10 utility flexibility that is necessary for an efficient and cost-effective program would allow  
11 Southwest Gas (in the instant example) to wait for its electric counterpart to complete the  
12 high priority electric-only conversion, knowing that the dual-commodity conversion will be  
13 next on both utility's schedules. On the other hand, under the Joint Parties' proposal each  
14 utility will be limited to a specific number of conversions. Thus, depending on where the  
15 dual-commodity conversion falls in terms of the electric utility's allotted number of spaces,  
16 the dual-commodity conversion might not take place at all.

17 **C. Timelines**

18 Although Southwest Gas and PG&E both propose conversion programs that extend  
19 beyond three years, Southwest Gas believes the 3-year term offered in the Assigned  
20 Commissioner's July 17, 2013 Amended Scoping Memo and Ruling is a feasible initial  
21 program period for the purposes of evaluating the program's performance.<sup>36</sup> However,

22 \_\_\_\_\_  
23 <sup>34</sup> Exhibit 3 at p. 5-6, ll. 4-20 (SWG/Grandlienard); Exhibit 3 at p. 1-2, ll. 6-19 (PG&E/Haley); Exhibit 17 at pp.  
24 5-6.

<sup>35</sup> Assigned Commissioner's Amended Scoping Memo and Ruling, July 17, 2013 at p. 4; Exhibit 19, Ch. 2, p.  
3, ll. 2-16 (SWG/Grandlienard).

<sup>36</sup> Exhibit 19 at Ch. 2, p.2, ll. 8-11 (SWG/Congdon).

1 Southwest Gas disagrees with the Joint Parties as to how the program should be managed  
2 during the initial term. The Joint Parties' proposal offers a 90-day window within the 3-year  
3 program term, wherein interested MHPs must apply to the program.<sup>37</sup> This approach is  
4 problematic for two reasons. First, as WMA witness Dr. Richard McCann testified, the  
5 start and stop approach that results from the 90-day application window (and the  
6 subsequent two year construction window), will lead to uncertainty amongst MHP  
7 owners.<sup>38</sup>

8           So what is happening is as the program allows applications for one  
9           year and then it stops for two years, the park owners who might  
10          participate in a program might decide to line up for a queue or  
11          considering [sic] entering the program to participate in it...[T]here  
12          are park owners who may look at that program and say, well,  
13          the...PUC has stopped the program for two years. They might stop  
14          the program again in the future.

15           Second, if the Commission intends to use information gathered during the initial  
16          term to help it determine if the program should continue and, if so, whether it should be  
17          modified in any way, MHP interest is an important data point to consider. If MHP interest  
18          is gauged by the number of applications received, then restricting the application period to  
19          a single 90-day window shortly after the approval of the program, is likely to skew the data  
20          that the Commission will later rely upon.

21           Rather than restricting all applications within the first three years to a single 90-day  
22          window, Southwest Gas and PG&E suggest that the Commission allow applications to be  
23          accepted on a rolling basis. Alternatively, Southwest Gas is not opposed to having  
24          multiple application windows within the initial term.<sup>39</sup> Both options offer greater  
25          encouragement and certainty to MHP owners, resulting in a more accurate and reliable

<sup>37</sup> Exhibit 17 at p. 10, l. 10.

<sup>38</sup> Transcript, Vol. 2 at p. 341, ll. 11-25 (WMA/McCann).

<sup>39</sup> Transcript, Vol. 2 at pp. 315-316 (SWG/Grandlienard).

1 picture of overall MHP interest in the program – and likely resulting in higher participation  
2 rates compared to the Joint Parties’ proposal.

3 **D. Program Reporting**

4 The Assigned Commissioner’s July 17, 2013 Amended Scoping Memo and Ruling  
5 calls for a “prompt assessment” of the program.<sup>40</sup> Southwest Gas and PG&E believe that  
6 this directive is most likely to be satisfied if the utilities provide, and the Commission  
7 reviews, data from the conversion program on an ongoing basis throughout the initial 3-  
8 year term. As Southwest Gas witness Brooks Congdon explained, periodic reporting can  
9 be accomplished when the utilities calculate the program-related surcharge, and will  
10 provide the Commission with timely information that is relevant to its evaluation of the  
11 program.<sup>41</sup>

12 [Southwest Gas] would envision there is a report that would in  
13 detail discuss how many conversions were done, what the actual  
14 costs of the work that we had completed were, and also what we  
15 expected to do during the next year that would be in those forward-  
16 looking estimates...used to calculate the coming year’s  
17 surcharge...

18 But in our vision, these annual reports, as I say, would be a detailed  
19 wrap-up of the actual work that was done as well as a projection of  
20 where we need to go the next year. And we felt that by doing that  
21 each year, all the parties would be able to see things on a timely  
22 basis. And we could say, well, the program’s not performing as  
23 expected or its performing at a faster pace than we anticipated.

24 And we can...have more real-time information on what was actually  
happening than if we waited for some prescribed length of time and  
then did the so-called wrap-up report after three years, four, or  
some predetermined number of years.

///

///

---

<sup>40</sup> Assigned Commissioner’s Scoping Memo and Ruling, July 17, 2013 at p. 4.

<sup>41</sup> Transcript, Vol. 2 at pp. 254-55.

1 Although the Joint Parties' proposal suggests that all reporting associated with the  
2 conversion program will occur at the end of the 3-year pilot period,<sup>42</sup> the Joint Parties  
3 testified at the hearing that they would not be opposed to more frequent reporting.<sup>43</sup>  
4 Accordingly, Southwest Gas urges the Commission to require program reporting  
5 requirements as discussed by Mr. Congdon.

#### 6 **IV. Program Costs**

7 The most prominent difference between the competing program proposals is the  
8 issue of "beyond the meter" costs. As the evidence indicates, Southwest Gas and PG&E  
9 propose an approach to "beyond the meter work"<sup>44</sup> that differs from traditional utility  
10 activities but which, in this particular instance, contributes to an effective and uniform  
11 conversion process. The Joint Parties propose that program-related conversion work will  
12 go "to the meter", but that work "beyond the meter" will remain the responsibility of the  
13 MHP owners.<sup>45</sup>

##### 14 **A. To the Meter**

15 The Joint Parties' proposal to include only "to the meter" work in the recoverable  
16 program costs proves unworkable for two reasons. First, the Joint Parties' approach does  
17 not fully address the Commission's concerns about system safety and reliability. The Joint  
18 Parties state that the utilities "...will not energize any service delivery point until all  
19 permitted work, if any, performed beyond the meter has been inspected and released by  
20 the [authority having jurisdiction]."<sup>46</sup> Notwithstanding, the Joint Parties do not offer any

21 \_\_\_\_\_  
<sup>42</sup> Exhibit 17 at p. 13, ll. 12-13.

22 <sup>43</sup> Transcript, Vol. 1 at p. 139, ll. 14-27 (Joint Parties/Hayes).

23 <sup>44</sup> In the case of natural gas facilities, "beyond the meter" work involves the installation of a houseline  
(which will thereafter be owned and maintained by the MHP owner or the MHP tenant) from the meter to  
the coach. Transcript, Vol. 2 at pp. 310-311 (SWG/Grandlienard).

24 <sup>45</sup> Exhibit 17 at p. 8.

<sup>46</sup> Id. at p. 8, ll. 4-5.



1 suggestions or recommendations for ensuring that MHP owners complete the requisite  
2 “beyond the meter” work such that the program-related work can proceed. In fact, they  
3 suggest the opposite route.<sup>47</sup>

4 Q: Is there anywhere in your testimony that offers a proposal or  
5 makes a suggestion as to a timeline for when the park or the  
6 tenants should complete that beyond-the-meter work so that the  
entire park can be energized?

7 A: No. We find when - - when there are customers involved  
8 and they have work responsibility, the timeline is on them. We  
can't finish our work until they finish their work. So we - - we don't  
put timelines on them. We just keep waiting for them.

9 The Joint Parties do suggest that it is possible to energize individual coaches within  
10 an MHP; however this option does not offer resolution to the Commission's safety and  
11 reliability concerns either. As the Joint Parties explained, energizing only portions of an  
12 MHP at a time would require that the MHP systems – the very systems that the  
13 Commission seeks to eliminate through the conversion process – would “...have to remain  
14 in place and maintained for service until the last coach in the park has been cut over to the  
15 utility service.”<sup>48</sup> Beyond safety and reliability issues, this approach also complicates  
16 customer service and billing practices, as utilities and MHP owners would have to track  
17 which residents are served by which systems.

18 Second, and even assuming that the Commission's safety and reliability concerns  
19 could be fully addressed by the Joint Parties' methodology, their proposal imposes yet  
20 another limitation on MHP owner participation by assigning “beyond the meter” costs to  
21 MHP owners. As such, the Joint Parties' proposed program is not likely to generate the  
22 increased number of conversions the Commission seeks to accomplish.

23 \_\_\_\_\_  
24 <sup>47</sup> Transcript, Vol. 1 at p. 75, ll. 10-21 (Joint Parties/Hayes).

<sup>48</sup> Id. at p. 75, ll. 5-9 (Joint Parties/Hayes).

1           **B. Beyond the Meter**

2           Both Southwest Gas and PG&E believe that “beyond the meter” work is an  
3 essential component of a successful MHP conversion program. Although “beyond the  
4 meter” work has traditionally been the responsibility of the MHP owner or tenant,  
5 Southwest Gas believes that, in this instance, “beyond the meter” work should be included  
6 in the conversion process, and the associated costs included with other recoverable  
7 program costs.<sup>49</sup> Southwest Gas, PG&E and WMA have all presented evidence indicating  
8 that this approach will not only encourage MHP conversions, but ensure a complete and  
9 uniform transfer of facilities within each MHP.<sup>50</sup> And, as discussed above, the evidence  
10 presented by the Joint Parties indicates that the “beyond the meter” approach is most  
11 likely to satisfy the Commission’s goal of providing safe and reliable utility service to MHP  
12 residents. Further, as Southwest Gas’ cost estimates demonstrate, there is not a  
13 significant cost difference between “to the meter” and “beyond the meter” work that would  
14 justify denial of Southwest Gas’ and PG&E’s proposals.<sup>51</sup>

15           **C. Cost Recovery and Ratemaking**

16           All parties offer similar proposals for the recovery of costs associated with a  
17 Commission-approved conversion program – the key factor being the tracking and  
18 recovery of costs on a forecast basis through two-way balancing accounts.<sup>52</sup> Southwest  
19 Gas suggests that the revenue requirement associated with MHP conversions (consisting  
20 of return on investment, taxes and depreciation), along with program-related outreach and  
21 education expenses, be deferred to a two-way balancing account that will be trued-up

22 \_\_\_\_\_  
<sup>49</sup> Exhibit 3 (Grandlienard), at p. 8, ll. 9-19.

23 <sup>50</sup> Exhibit 5, at p. 4, ll. 4-12; Exhibit 20, p. 2, ll. 19-25; Exhibit 21, pp. 4-5.

24 <sup>51</sup> Exhibit 33. See also, Exhibit 20, p. 2, ll. 22-25.

<sup>52</sup> Exhibit 3 (SWG/Congdon), at p. 2, ll. 9-22; Exhibit 3 (PG&E/Fernandez), at p. 7, ll. 1-4; Exhibit 2, at p. 13, ll. 15-20; Exhibit 8, p. 20.

1 annually.<sup>53</sup> The Company further suggests that program costs be recovered between the  
2 Company's general rate cases through a customer surcharge associated with the new  
3 two-way balancing accounts. The first year's surcharge will be developed using the  
4 Company's budgeted program expenses, and will be adjusted annually based upon the  
5 Company's budgeted expenses and the current deferred account balance.<sup>54</sup> As there is a  
6 general consensus regarding the recovery of program costs through two-way balancing  
7 accounts and routine true-ups, the Commission should authorize recovery of conversion  
8 program costs using this methodology.

9 There is also general agreement on a ratemaking approach. Southwest Gas'  
10 proposed surcharge applies to all customers receiving service at full tariff rates.<sup>55</sup>  
11 Similarly, PG&E proposes that program costs be allocated among electric and gas  
12 customers that pay for distribution costs.<sup>56</sup> No party opposes the ratemaking proposals  
13 offered by Southwest Gas and PG&E, nor does the record contain evidence of an  
14 alternative ratemaking approach. Accordingly, the Commission should approve the  
15 agreed-upon methodology.

16 Southwest Gas provided detailed and undisputed cost estimates, as well as an  
17 illustration of potential residential bill impacts (based upon the Company's estimated  
18 costs), which indicate that the Company's proposed cost allocation is fair and  
19 reasonable.<sup>57</sup>

20 ///

21 ///

---

22 <sup>53</sup> Exhibit 3 (SWG/Congdon), at p. 2, ll. 22-24.

23 <sup>54</sup> Id. at p. 2, l. 24 – p. 3, l. 4.

24 <sup>55</sup> Id. at p. 2, ll. 13-16.

<sup>56</sup> Exhibit 3 (PG&E/Hoglund), at p. 4, ll. 9-11.

<sup>57</sup> Exhibit 33.

1 **D. Incentives**

2 The evidence in the record overwhelmingly supports the theory that cost is a barrier  
3 – if not the most significant barrier – to accomplishing MHP transfers under the current  
4 statutory framework.<sup>58</sup> The Assigned Commissioner’s July 17, 2013 Amended Scoping  
5 Memo and Ruling also suggests that a financial incentive is necessary in order to  
6 meaningfully increase the number of MHP conversions.<sup>59</sup> Because the Joint Parties, with  
7 the exception of DRA, only advocate for ratepayer funding of “to the meter” conversion  
8 costs, Southwest Gas believes that it and PG&E offer proposals with the greatest incentive  
9 for MHP owners.

10 DRA, on the other hand, offers a 50/50 cost sharing without any regard for the  
11 incentive (or lack thereof) offered to MHP owners. Indeed, DRA witness Mr. Mathew Karle  
12 does not acknowledge any relationship between costs assessed to MHP owners under the  
13 existing transfer process and the lack of participation, stating “I don’t believe it’s the  
14 opinion of DRA that fully funding the conversions or funding them as we’ve proposed with  
15 the cost sharing mechanism would necessarily amount to an increase or decrease in  
16 conversions.”<sup>60</sup> This approach conflicts with the evidence in the record and should be  
17 rejected.

18 ///

19 ///

20 ///

21  
22  
23 <sup>58</sup> Exhibit 3 (SWG/Grandlienard), at p. 3, ll. 2-10; Exhibit 25 at p. 13; Transcript, Vol. 1 at p. 83, ll. 20-26. [Add  
PG&E and WMA cites]

24 <sup>59</sup> Assigned Commissioner’s Amended Scoping Memo and Ruling, July 17, 2013 at p. 3.

<sup>60</sup> Transcript, Vol. 2 at p. 176, ll. 7-18 (DRA/Karle).

1 **V. Conclusion and Recommendations**

2 The parties agree that any MHP conversion program implemented as a result of  
3 this Rulemaking must not only ensure safe and reliable utility service for MHP residents,  
4 but fair and reasonable financial impacts for MHP owners, MHP residents, and all other  
5 utility customers. Southwest Gas believes that its proposed conversion program, along  
6 with the program offered by PG&E, accomplishes just that. Southwest Gas recognizes the  
7 Commission’s overarching concern regarding the safety and reliability of existing MHP  
8 facilities. Providing safe and reliable service to MHPs benefits not only MHP residents, but  
9 the surrounding community as a whole. The “beyond the meter” work described in the  
10 Company’s program will ensure a seamless and uniform conversion for all MHP residents.  
11 Southwest Gas’ proposal also alleviates the financial burden that has plagued many MHP  
12 owners under the current transfer process, while ensuring that its proposed cost allocation  
13 is fair to other customers.

14 The Joint Parties’ proposal falls short of achieving this necessary balance of  
15 interests. The Joint Parties’ proposal certainly reduces program costs. However, it does  
16 so by restricting the number of MHPs that can participate in the program and, in DRA’s  
17 case, by relying on MHP owners to contribute to the costs. Neither of these approaches  
18 appears to fully consider the interests of MHP residents who will undoubtedly benefit from  
19 both the installation of new facilities that are owned and maintained by the utilities, and  
20 from becoming direct utility customers. Southwest Gas further submits that the Joint  
21 Parties’ proposal does not sufficiently incentivize the MHPs and thus will not encourage  
22 the level of conversions it believes the Commission desires.

23  
24

1 Based upon the foregoing, and upon all other papers, pleadings and evidence  
2 comprising the record in this proceeding, Southwest Gas respectfully recommends that the  
3 Commission reject the Joint Parties' proposal and implement an MHP conversion program  
4 consistent with the approaches offered by both Southwest Gas and PG&E.

5 DATED this 8th day of October 2013.

6 Respectfully submitted,

7 SOUTHWEST GAS CORPORATION

8 

9 \_\_\_\_\_  
10 Catherine M. Mazzeo  
11 5241 Spring Mountain Road  
12 P.O. Box 98510  
13 Las Vegas, Nevada 89193-8510  
14 Telephone No. (702) 876-7250  
15 Facsimile No. (702) 252-7283  
16 E-mail: [catherine.mazzeo@swgas.com](mailto:catherine.mazzeo@swgas.com)  
17 *Attorney for Southwest Gas Corporation*