

IN THE MATTER OF
RULEMAKING 11-02-018

PREPARED REBUTTAL TESTIMONY
OF
SAM GRANDLIENARD

ON BEHALF OF
SOUTHWEST GAS CORPORATION
(U 905 G)

OCTOBER 25, 2012

Table of Contents
of
Prepared Rebuttal Testimony
of
Sam Grandlienard

<u>Description</u>	<u>Page No.</u>
I. INTRODUCTION	1
II. SAFETY AND RELIABILITY	2
III. BEYOND THE METER RESPONSIBILITIES.....	4
IV. CONVERSION PROCESS AND CONVERSION CREDITS	5

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Prepared Rebuttal Testimony
of
Sam Grandlienard

I. INTRODUCTION

Q. 1 Please state your name and business address.

A. 1 My name is Sam Grandlienard. My business address is 13471 Mariposa Road, Victorville, California 92395.

Q. 2 Did you present prepared testimony concerning the conversion of master-metered mobile home parks (MHP) to direct utility service on behalf of Southwest Gas Corporation (Southwest Gas or Company) in this proceeding?

A. 2 Yes.

Q. 3 What is the purpose of your rebuttal testimony?

A. 3 The purpose of my rebuttal testimony is to respond to the prepared direct testimony filed by 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), California Pacific Electric Company, LLC (CalPeco), The Utility Reform Network (TURN), and the Division of Ratepayer Advocates (DRA), referred to as the "Joint Parties". The Joint Parties' testimony sets forth their proposal for how the California Public Utilities Commission (Commission) should address MHP conversions.

Q. 4 Please summarize your rebuttal testimony.

A. 4 My rebuttal testimony addresses the following aspects of the Joint Parties' MHP conversion proposal:

- Safety and Reliability
- Beyond the Meter Responsibilities

1 • Conversion Process and Conversion Credits

2 Q. 5 Please provide an overview of the Joint Parties' proposal.

3 A. 5 The Joint Parties propose a new, yet temporary, tariff rule to allow for "...a
4 limited number of MHP conversions to be completed over a five year period in
5 order to gather and assess pertinent information on converted MHPs and the
6 associated costs."¹ The Joint Parties propose offering ratepayer-funded
7 conversion credits to MHP owners to apply toward the cost of converting their
8 gas and/or electric facilities. Any conversion costs in excess of the conversion
9 credits would be the responsibility of the MHP owner. Specifically, the investor-
10 owned utility (IOU) conversion credits would total \$4,000 per space per
11 commodity and the small and multi-jurisdictional utility (SMJU) conversion
12 credits would total \$2,000 per space per commodity.²

13 The Joint Parties' proposal also contemplates that IOUs will convert no
14 more than 10 percent of their MHP spaces during the five-year conversion
15 period. SMJUs have the option of converting 10 percent of their MHP spaces or
16 converting only one park during the conversion period, if the number of spaces
17 in that one park meets or exceeds 10 percent of their MHP spaces.³ The Joint
18 Parties propose that the Commission's Consumer Protection and Safety
19 Division (CPSD) prioritize gas system replacements, and that utilities use their
20 best efforts to follow CPSD's prioritization list.⁴

21 **II. SAFETY AND RELIABILITY**

22 Q. 6 Does the temporary nature and/or the limited MHP participation proposed by the
23 Joint Parties proposal adequately address the safety and reliability concerns
24 referenced by the Commission in its Order Instituting Rulemaking (OIR)?

25 ¹ Joint Parties' Testimony, at pg. 1, ll. 24-26.

26 ² Id. at pg. 2, ll. 7-14.

27 ³ Id. at pg. 1, l. 26 – pg. 2, l. 6.

⁴ Id. at pg. 3, ll. 14-15.

1 A. 6 No. The proposal only considers 10 percent of each utility's MHP spaces for
2 direct utility conversion. Given that the Joint Parties intend to prioritize
3 replacements based upon CPD's safety assessments (which could easily
4 identify more than 10 percent of the MHP spaces as high priority replacements),
5 their proposal for limiting the number of conversions appears to conflict with
6 their proposal for prioritizing replacements.

7 Moreover, conversion of the remaining 90 percent of the MHP spaces
8 could be subject to further delay due to the temporary nature of the Joint Parties'
9 proposed program. Under the proposal, at the conclusion of the five-year period
10 the parties and the Commission are expected to reconvene (presumably in
11 another rulemaking proceeding) to assess conversion costs and other
12 information gathered during the conversion process. At that point, the
13 Commission will determine if the program should be extended.⁵ Accordingly,
14 there is no certainty as to if, when, or under what circumstances the 90 percent
15 of MHP spaces currently excluded from the Joint Parties' proposal will be
16 afforded an opportunity to participate in the conversion program.

17 Q. 7 Does the Joint Parties' proposal raise any specific questions related to
18 Southwest Gas' MHP conversions?

19 A. 7 Yes. The Joint Parties' proposal for SMJU conversions is incomplete in that it
20 only addresses the SMJUs that are electric providers.⁶ Southwest Gas, which
21 has 56 MHPs subject to this proceeding, is a gas-only, multi-jurisdictional utility
22 that would be classified as a SMJU under the Joint Parties' proposal. If, like the
23 other SMJUs, Southwest Gas is potentially limited to converting only one of its
24 MHPs in a five-year period, the goal of having a conversion program that
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26 ⁵ Id. at pg. 1, at ll. 16-21.

27 ⁶ Id. at pg. 2, ll. 2-6; 12-14.

1 addresses the safety and reliability of MHP gas systems is not likely to be
2 satisfied.

3 **III. BEYOND THE METER RESPONSIBILITIES**

4 Q. 8 Does Southwest Gas agree with the Joint Parties that all beyond the meter costs
5 should be the responsibility of the MHP owners?

6 A. 8 No. Although the Joint Parties accurately state that beyond the meter work has
7 historically been the responsibility of the MHP owners, Southwest Gas believes
8 that, in this instance, the current beyond the meter process presents a potential
9 roadblock to maximizing the number of voluntary MHP conversions. Southwest
10 Gas' proposal therefore suggests a new avenue for beyond the meter work that
11 will not only encourage MHP conversions, but ensure a complete and uniform
12 transfer of facilities within each MHP.

13 Q. 9 Are there other issues not addressed by the Joint Parties' approach to beyond
14 the meter costs?

15 A. 9 Yes. Because the Joint Parties' proposal does not go so far as to require MHP
16 owners to replace existing house lines as part of the conversion process, the
17 proposal does not address inspections for existing gas facilities after the meter.
18 While the current facilities will be subject to a pressure test that will occur prior
19 to the new gas system being energized, the safety and integrity of the current
20 systems cannot be guaranteed, and thus the overall effectiveness and safety of
21 the new gas system is reduced.

22 Q. 10 Apart from the Joint Parties' position that beyond the meter work has historically
23 been the responsibility of MHP owners, could their proposal accommodate
24 beyond the meter work?

25 A. 10 Yes. Although Southwest Gas believes that the best approach is for utilities to
26 include all beyond the meter costs with their other recoverable conversion costs,
27 the overall effectiveness of the Joint Parties' proposal would be enhanced if the

1 proposed conversion credit was increased to assist MHP owners with the cost of
2 completing beyond the meter work.

3 **IV. CONVERSION PROCESS AND CONVERSION CREDITS**

4 Q. 11 The Joint Parties' proposal states that should unexpected trenching costs occur
5 and the MHP owner is unable to fulfill the financial obligations required, the
6 utility will make a business decision whether to continue the conversion project.
7 Do you agree?

8 A. 11 Several issues arise from a system conversion not being completed. In the
9 situation described by the Joint Parties, an incomplete conversion could leave
10 MHP tenants with a partially-completed system that may include open trenches,
11 incomplete pavement repair, and other safety issues potentially related to the
12 inability to secure the existing system. The Joint Parties' proposal does not offer
13 sufficient information for Southwest Gas to determine whether their approach is
14 feasible. For example, the Joint Parties do not designate a Tier for the utility
15 Advice Letter; thus, the Advice Letter process in and of itself could result in
16 unnecessary delay in the conversion process.

17 Q. 12 In the case of Southwest Gas and other SMJUs, the Joint Parties propose a
18 conversion credit of up to \$2,000 per space, per commodity. Does this amount
19 provide an adequate incentive for MHP owners to participate in the program?

20 A. 12 In Southwest Gas' experience, the current requirement that MHP owners pay all
21 conversion costs has severely limited the number of MHP conversions and is a
22 key factor that must be addressed in any proposal aimed at increasing MHP
23 conversions. While the Joint Parties' approach offers a greater incentive for
24 MHP owners to convert than the current process, the proposed conversion
25 credit amounts may not generate the increased number of MHP conversions
26 that the Commission contemplated in its OIR. Under the Joint Parties' proposal,
27 a majority of the financial responsibilities remain with the MHP owners.

1 This is the case even for MHPs in Southwest Gas' service territories.
2 Although Southwest Gas' estimated conversion costs (as outlined in the Joint
3 Utility Cost Report) fall within the proposed \$2,000 credit, that credit only applies
4 to the natural gas commodity. In every instance where Southwest Gas converts
5 an MHP's gas facilities, the owner will remain responsible for the excess costs
6 associated with converting the electric system. Based upon the electric cost
7 estimates (as outlined in the Joint Utility Cost Report) and the proposed electric
8 utility credits, the cost of converting the electric system may cause the MHP
9 owner to forego both the gas and electric conversions altogether.

10 Q. 13 Does this conclude your prepared rebuttal testimony?

11 A. 13 Yes.

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