STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
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August 28, 2012

Agenda ID #11556
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 10-03-014

This is the proposed decision of Administrative Law Judge (ALJ) Thomas R. Pulsifer, previously designated as the presiding officer in this proceeding. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. This matter was categorized as ratesetting and is subject to Pub. Util. Code § 1701.3(c). Upon the request of any Commissioner, a Ratesetting Deliberative Meeting (RDM) may be held. If that occurs, the Commission will prepare and publish an agenda for the RDM 10 days beforehand. When the RDM is held, there is a related *ex parte* communications prohibition period. (See Rule 8.3(c)(4).)

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Pulsifer at trp@cpuc.ca.gov and assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ KAREN V. CLOPTON
Karen V. Clopton, Chief
Administrative Law Judge

KVC:acr

Attachment

Decision **PROPOSED DECISION OF ALJ PULSIFER** (Mailed 8/28/2012)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company To Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design, including Real Time Pricing, to Revise its Customer Energy Statements, and to Seek Recovery of Incremental Expenditures. (U39M)	Application 10-03-014 (Filed March 22, 2010)

DECISION DENYING PETITION TO MODIFY DECISION

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1. Summary

This decision denies the Petition for Modification of Decision (D.) 11-12-053, (Petition) filed by the Western Manufactured Housing Communities Association (WMA). In D.11-12-053, the Commission addressed various rate design issues for Pacific Gas and Electric Company's (PG&E) General Rate Case (GRC) Phase 2.[1] WMA seeks modification of D.11-12-053 relating to the determination of the PG&E Schedule ET rate discount for Mobile Home Park (MHP) Master Meter (MM) electric service.[2]

WMA contends that in D.11-12-053, the Commission relied upon erroneous and unjustified assumptions that understate the Schedule ET discount. WMA seeks a modification to increase the Schedule ET discount based on the revised assumptions as proposed in its Petition. Based on our review of WMA's claims, as discussed below, we find no valid basis to modify D.11-12-053.

WMA has neither justified nor supported with record evidence its claims that D.11-12-053 is based on factual or legal error. WMA's proposed changes replace various portions in D.11-12-053 with its own conclusory statements. WMA fails to provide a valid rationale of why cited evidence in D.11-12-053

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[1] The majority of rate design issues for PG&E residential electric customers in this proceeding were previously resolved in D.11-05-047.

[2] MHP MM/submeter systems are private distribution systems interconnected with the larger electricity grid. PG&E supplies electricity to MHP operators via a MM, but PG&E does not own or maintain MHP submeter systems. Responsibility for maintenance and primary safety for MHP submeter systems lies with MHP owners/operators.

should be set aside in order to adopt contrary results. Accordingly, for reasons explained in further detail below, we deny the Petition.

2. Procedural Issues

We address Western Manufactured Housing Communities Association's (WMA) Petition based on the standards prescribed in Rule 16.4 of the Commission's Rules of Practice and Procedure.[3] The Petition for Modification is a vehicle through which to formally request changes to a Commission-issued decision. A Petitioner must concisely state the justification for any requested relief, and must provide specific wording to carry out requested modifications. Any factual allegations must be supported with specific citations to the record. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.

WMA filed its Petition for Modification of Decision (D.) 11-12-053 on January 23, 2012. The Petition was filed within one year of the effective date of the decision, as required by Rule 16.4(d).

A joint response in opposition to the WMA Petition was filed February 22, 2012, by PG&E and The Utility Reform Network (TURN) (Joint Parties). The Joint Parties argue that WMA attempts to relitigate issues that were properly considered in evidentiary hearings and rejected in D.11-12-053. The Joint Parties argue that the Commission correctly established a Mobile Home Park (MHP)

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[3] WMA also filed a separate "Application for Rehearing of D.11-12-053" in which WMA raised many of the same objections with respect to Pacific Gas and Electric Company's (PG&E) Schedule ET discount. To the extent different legal rights and/or standards of review apply in evaluating the merits of WMA's Application for Rehearing, we express no opinion on WMA's compliance with those standards here.

Master Meter (MM) discount in D.11-12-053 based on utility avoided costs, as required by law. The Joint Parties argue that the Commission thereby removed the burden of an excessive Schedule ET subsidy from other ratepayers. Accordingly, the Joint Parties ask that the WMA Petition for Modification be denied.

WMA filed a supplement to its Petition on March 13, 2012, providing alleged new information in the form of (1) a copy of PG&E Advice Letter 4008-E, for revision of PG&E's line extension tariff and (2) information regarding charges imposed for PG&E's Smart Meter program. The Joint Parties responded to the WMA supplement on March 27, 2012, arguing that the supplemental filing failed to provide a basis for granting a modification of D.11-12-053. As discussed below, we find that WMA's alleged new information is not supported by affidavit or sworn testimony as required by Rule 16.4(b).

In a series of informal meetings with Commission decision makers, WMA also engaged in *ex parte* communications, providing copies of letters from a number of MM MHP owners, complaining of high costs as a result of the changes in the Schedule ET discount adopted in D.11-12-053. These letters purport to offer new information about the costs incurred by mobile home park providers and argue that the adopted discount is insufficient to allow these customers to realize sufficient profits from their submetered systems.

We give these *ex parte* communications no evidentiary weight. WMA has made no demonstration that the claims in the *ex parte* letters are accurate or offer reliable evidence. None of the *ex parte* letters from the MM MHP owners was provided before or during evidentiary hearings. The claims in these letters were not subject to discovery, were not sponsored by a sworn witness, and were not explored under cross-examination. WMA failed to satisfy the affidavit

requirement of Rule 16.4. Accordingly, for all these reasons, we give no evidentiary weight to WMA's *ex parte* letters provided after filing its Petition to Modify.

We resolve the Petition based upon the formal written record referenced above. On this basis, we conclude that WMA has provided no convincing basis to support modifications to D.11-12-053. WMA has not supported the deletion of existing findings or the addition of new findings that would conflict with the Schedule ET determinations reached in D.11-12-053.

3. Consideration of WMA's Proposed Modifications

3.1. Background

After developing an evidentiary record, the Commission issued D.11-12-053, which, among other things, addresses the appropriate methodologies to determine the Schedule ET discount. The Commission adopted a Schedule ET base discount of $6.53 per space per month, as sponsored by PG&E and TURN. PG&E calculated the Schedule ET discount pursuant to guidance in D.04-04-043 and D.04-11-033 (PG&E, Troup TR. 1097, lines 23 – 26.)[4]

The MHP MM discount is required per Public Utilities Code Section 739.5(a).[5] MHP owners who provide electricity to their tenants through a

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[4] D.04-04-043 and D.04-11-033, (in the MHP Submetering Discount Rulemaking (R.) 03-03-017; Investigation 03-03-018) identified categories of costs avoided by electric and gas utilities when mobile home park tenants are served by a MM owner.

[5] Section 739.5(a) states as follows:

> The commission shall require that whenever gas or electric service, or both, is provided by a master-meter customer to users who are tenants of a mobilehome park, apartment building, or similar

Footnote continued on next page

submetered distribution system must charge the tenants at the same rate the serving utility charges for comparable service. The Schedule ET discount reimburses MHP MM operators for their costs of providing submetered service to the MHP tenants.

The Schedule ET discount is determined based on the categories of cost avoided by PG&E when the MM MHP submetered. The use of utility avoided costs as a cap or proxy to implement Section 739.5(a) is necessary because MHP operators do not keep adequate records to implement the language of the statute "to cover the reasonable average costs to master-meter customers of providing submeter service."[6]

As explained below, WMA seeks modifications of D.11-12-053 relating to the adopted Schedule ET discount methodology to:

a) use PG&E's residential class average cost instead of multi-family residential costs;
b) use PG&E's 2009—instead of 2003—marginal costs, escalated to 2011 levels; and

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residential complex, the master-meter customer shall charge each user of the service at the same rate which would be applicable if the user were receiving gas or electricity, or both, directly from the gas or electrical corporation. The commission shall require the corporation furnishing service to the master-meter customer to establish uniform rates for master-meter service at a level which will provide a sufficient differential to cover the reasonable average costs to master-meter customers of providing submeter service, except that these costs shall not exceed the average cost that the corporation would have incurred in providing comparable services directly to the users of the service.
(Pub. Util. Code § 739.5 subd. (a).)

[6] See Section 739.5(a) and D.04-11-033, mimeo., Findings of Fact 5 and 6.

c) include an Equal Percentage of Margin Cost (EPMC) Scalar in deriving the average cost for the discount.

After consideration of each of the claims in the WMA Petition, we find no valid basis to modify D.11-12-053. We address the individual proposed modifications below.

We also have no basis to validate WMA's claim that its requested modifications to D.11-12-053 produce a revised base Schedule ET discount of $17.21, and a revised net discount of $14.69 (with the EPMC scalar applied).[7] WMA's proposed new discount figures are not found anywhere in the evidentiary record and are not supported by any citation, affidavit, or calculations. PG&E and TURN could not replicate WMA's revised discount calculations. Accordingly, even if WMA's proposed modifications in methodologies were to be adopted, we would need further proceedings to determine what numerical revisions to the Schedule ET discount would apply.

We also disagree with WMA's characterization of the Schedule ET discount as providing the MHP owner operator with only the base discount amount (shown as $2.40 in D.11-12-053, but finally adjusted to $2.35 by subsequent advice letter filing). The base discount figure does not include the funds provided to the MM MHP owner through the Diversity Benefit Adjustment (DBA).[8] The average mobile home park will receive an additional

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[7] WMA also proposes to revise Conclusion of Law 11 of D.11-12-053 referencing a Schedule ET discount of $11.52, purportedly proposed by PG&E and supported by TURN. While PG&E proposed the Line Loss Adder and illustrative DBA amounts, PG&E did not propose a discount of $11.52.

[8] The DBA is intended to ensure that the MHP operator does not realize a revenue windfall by individually billing submetered park tenants at prices and quantities that

Footnote continued on next page

$5.20 per space per month for the DBA. The average MM MHP owner will actually receive a total of $7.55 per space per month (=$6.53 base discount + $1.02 Line Loss Adder) to maintain, repair, and replace its submetering system.

In any event, changes in the Schedule ET discount only affect the MHP owner/operator. There is no impact on submetered tenants as a result of reductions in the ET discount. The tenants' rates remain the same as the rates paid by any other residential retail customer, as required by Public Utilities Code Section 739.5 (Section 739.5).

WMA also claims that the Commission's determinations regarding the Schedule ET discount has a direct and prejudicial impact on proceedings in R. 11-02-018. The Commission opened R.11-02-018 to examine what can and should be done to encourage the replacement by direct utility service of the master-meter/submeter systems that supply electricity, natural gas, or both to mobile home parks and manufactured housing communities within the service areas of electric and/or natural gas utilities. WMA claims that if D.11-12-053 is not modified, PG&E will have an unfair and unlawful economic advantage in relationship to MM customers in its service territory, improperly leveraging PG&E's negotiations for the takeover of MHP systems.

We find no basis to conclude that the adopted methodologies relating to Schedule ET has any prejudicial impact. The Schedule ET discount is based on

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exceed the prices and quantities billed by PG&E at the MM level. Because the MHP owner can bill individual submetered tenants at higher tiered prices than the blended total usage at the MM billed by PG&E, the DBA compensates for this additional revenue. PG&E does not know the tier of usage of each individual MHP tenant behind the MM.

the utility's avoided costs pursuant to Section 739.5(a). MHP owners/operators are not legally entitled to receive a discount any higher than utility avoided costs. Accordingly, the adopted Schedule ET discount has no prejudicial impact on proceedings in R.11-02-018 relating to negotiations for utility takeover of MHP systems.

3.2. Use of 2003 versus 2009 Cost Data

In D.11-12-053, the Commission adopted a Schedule ET discount based on use of new connection equipment cost data derived from PG&E's 2003 General Rate Case (GRC), and escalated to a 2011 test year price level.[9] WMA objects to the continued use of 2003 data for purposes of setting the Schedule ET discount, and argues that the discount should be based on 2009 data escalated to the 2011 test year. We find that WMA fails to justify a modification in D.11-12-053 to substitute 2009 data—instead of 2003 data—for purposes of calculating the Schedule ET discount.

WMA claims that the Commission's use of escalated 2003 cost data for setting the Schedule ET discount, while use of 2009 data for other customer classes), was unduly discriminatory. WMA claims that the Commission relied on the 2003 marginal cost data for the sole and limited purpose of setting the Schedule ET discount, and for no other purpose.

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[9] PG&E, Exh. 105 at 1-2, lines 16-17; TURN, Exh. 112 at 7. The Commission adopted PG&E proposed escalation factors to adjust connection equipment costs from 2003 to 2011 dollars using labor escalation specific to PG&E and capital escalation driven by material costs specific to PG&E's region. (PG&E, Exh. 105 at 1-11, lines 1-20.) This approach had been authorized in D.04-11-033, and replaced the prior approach based on a directly-served mobile home cost study.

In D.11-12-053, however, the Commission also utilized 2003 data for determining the Schedule ES discount calculation for master metered apartment building residential customers. Thus, escalated 2003 marginal cost data was consistently used for all MM discounts in D.11-12-053. PG&E similarly used escalated 2003 data in calculating the ES and ET discounts in the 2007 GRC without protest by WMA. If WMA's proposal to utilize 2009 data for the ET discount were to be adopted now, the result would introduce an inconsistency between the use of 2003 data (for the ES discount) versus 2009 data (for the ET discount). WMA does not address how to reconcile this inconsistency created by its own proposal.

For allocating revenue among customer classes, however, the use of 2009 data was reasonable because all customer classes were affected by the economic downturn, and all costs may have been to some degree similarly skewed. The relative change in marginal customer access costs between classes is more relevant than the absolute level of marginal customer access costs that drive movements in revenue allocation between classes.

The Commission previously relied on 2003 marginal cost data to support the MM MHP discount in PG&E's 2003 GRC, and again in PG&E's 2007 GRC proceeding, which led to a settlement based on 2003 GRC data (escalated to 2007). (PG&E, Exh. 107 at 1-11, lines 2-11.) In D.11-12-053, we concluded that the Commission was warranted in relying on 2003 data, escalated to 2011 dollars, to reflect connection cost elements in the Schedule ET discount rather than 2009 costs.

In D.11-12-053, the Commission found that 2009 data were not representative of normal residential construction costs, but represented a period of one of the worst economic downturns since the 1930's Great Depression era.

As noted in D.11-012-053, a major driver of this economic downturn was the financial collapse in the housing market and high unemployment in the construction trades. Cost data for 2009 were significantly skewed by these extreme conditions. Given the anomalies in 2009 data, the Commission was reasonable in relying on 2003 data for purposes of calculating the Schedule ET discount.

We are not persuaded by WMA's argument that the 2003 GRC data should not have been relied upon because it was never litigated or adopted by the Commission, since the 2003 GRC was settled. PG&E's 2009 marginal cost data, however, was also never litigated or adopted by the Commission. Although PG&E used 2009 new connection cost data in calculating 2011 marginal costs in its proposed revenue allocation for the residential class,[10] the revenue allocation adopted in D.11-12-053 was based upon a settlement which deviated from use of PG&E's 2009 marginal cost figures. As a result, PG&E's 2009 marginal cost data were not litigated or relied upon in D.11-12-053.[11] PG&E's proposed marginal costs were used only as a starting point for revenue allocation. The Settlement deviated significantly from PG&E's figures. Therefore, the use of 2009 data would offer no advantage over 2003 data insofar as both data sets were products of settlements.

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[10] See PG&E, Exh. 25 107 at 1-11, lines 12-17.

[11] D.11-12-053 (at 6 – 8) noted that "[t]he Settlement Agreement does not adopt any party's marginal cost principles or proposals." The Medium and Large Light and Power Settlement states that PG&E's 2009 marginal cost figures are used only to determine discounted contracts for Schedules A-10, E-19 and E-20 (all commercial and industrial schedules). Even though PG&E's updated marginal costs served as a starting point for

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We likewise find no justification for WMA's claim that its interests were somehow "unfairly severed" from other parties in the case because no other parties joined with WMA in challenging the use of 2003 data. WMA made its own choice to challenge the use of 2003 data. Other parties did not. Irrespective of whether WMA's interests diverged from those of other parties, WMA fails to show that it was in any way denied due process as a result. WMA had a reasonable opportunity to conduct discovery on PG&E's use of 2003 data, and to prepare its own case irrespective of whether other parties had similar interests or not. Evidentiary hearings were conducted on Schedule ET issues, and WMA had an opportunity, as did any other parties, to introduce witnesses and evidence and to file briefs in support of its position regarding the merits of relying on 2003 versus 2009 data.

We also find no merit in WMA's claim that the Commission's reliance on 2003 data in D.11-12-053 was based on a misunderstanding of the relevance of PG&E's arguments regarding the 2009 economic downturn in new housing developments. WMA claims that the economic downturn in residential construction during 2009 has no significant bearing on the costs used in the Schedule ET discount calculation because PG&E does not build residential housing. WMA thus claims changes in housing costs during 2009 are not meaningful for purposes of determining Schedule ET discounts under Section 739.5(a).

WMA's argument is not persuasive. New connection construction costs utilized in calculating the Schedule ET discount are not analogous to utility

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calculating revenue allocation, the adopted settlement results deviated from PG&E's marginal cost proposals.

power plant costs, but more closely relate to new residential housing construction.[12]

WMA states that the 2011 GRC cost structure is significantly different in comparison to the 2003 GRC, so that little from the 2011 GRC applies to the analysis of 2003 GRC costs, and vice versa. As PG&E notes, however, the new connection cost categories in the escalated 2003 GRC data used to calculate the ET discount are directly comparable to the 2009 residential cost data underlying PG&E's proposed marginal costs category-for-category with respect to the ET discount calculation for the 2011 GRC. Consequently, the data utilized in calculating connection costs for the Schedule ET discount (i.e., transformers, meters, and services) were significantly impacted by the 2009 economic downturn in residential housing.

Given the relevance of these residential construction costs, the Commission acted reasonably in declining to rely on anomalous data covering the 2009 severe economic residential housing downturn for purposes of the Schedule ET discount in D.11-12-053.

3.3. Use of Multi-Family versus Residential Class Average Costs

WMA also seeks reversal of the D.11-12-053 determination that the Schedule ET discount should be based on multifamily new connection costs.[13] WMA claims that the average per-customer cost for the entire residential class should be used in the calculation of the Schedule ET discount. WMA contends

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[12] See Joint Response dated February 7, 2012, at 17.

[13] PG&E, Exh. 105 at 1-36, lines 13-14.

that the use of multi-family customer costs fails to consider the full set of facilities in the MHPs.

WMA fails to show that D.11-12-053 was in error in using the avoided costs of multi-family new connections as a proxy for the avoided costs of new connections for directly-served MHP tenants. In D.11-12-053, the Commission correctly concluded that the avoided costs of multi-family new connections are a reasonable proxy for the costs of new connections for directly-served MHP tenants. The Commission found that costs to serve directly metered MHP tenants can differ significantly compared to the residential class as a whole. The Commission also found that the MM MHP's characteristics are more closely comparable to those of multifamily facilities, rather than single family homes that comprise 85% of the residential class average. Because MM MHP units tend to be closer together than those of the residential class average, designing rates based on the specific characteristics of the different type of service received by MM MHPs is not unreasonable. WMA identifies no record evidence warranting a conclusion that the Commission should have relied upon costs for the entire residential customer class, rather than the multifamily costs, in determining the Schedule ET discount.

WMA fails to support its claims that the Commission had only two options for calculating the Schedule ET discount: either (1) a survey method using a statistically based random sample or (2) a marginal cost method based on the costs of the residential class as a whole. (Petition at 7.) Because a statistically-valid survey of directly-served mobile home parks was not conducted by PG&E, WMA claims that the Schedule ET discount must be calculated based on the marginal costs to serve residential customers as a whole. WMA quotes from D.04-11-033 (page 16) which stated the following with respect

to whether to calculate the Schedule ET discount based on the residential class as a whole:

> Therefore, the discount could be calculated using a marginal cost method based on the costs to serve residential customers as a whole, ***if it is determined that those costs are approximately the same as those incurred in directly serving MHP tenants***. [Petition at 7, quoting from D.04-11-033 at 16, emphasis added.]

The quoted passage in D.04-11-033 does *not* require that residential class average costs be used to calculate the Schedule ET discount in all circumstances. The Commission merely recognized that the discount *could* utilize costs for the entire customer class *if it is determined that the relevant costs are approximately the same*. The evidentiary record supporting D.11-12-053 did *not* make a determination, however, that the costs to serve directly-metered MHP's (costs of comparable service) and the residential class average are similar.

We thus disagree with WMA's claim that the quoted passage from D.04-11-033 requires that the Schedule ET discount be calculated based on the marginal costs to serve the entire residential class. WMA fails to establish that any requirement for a statistical validity test was placed on the use of a marginal cost method, as provided for in D.04-04-043, D.04-11-033, and D.05-04-031.

In D.04-11-033, the Commission previously recognized that average costs to serve the residential class as a whole can differ from the costs to serve directly-metered MHP tenants. Moreover, in D.05-04-031, the Commission ordered the use of MHP costs, not residential class average costs, for calculating

the submeter discount.[14] As noted in D.05-04-031, "Utilizing the costs of the utility to serve its entire residential class to set the discount for submeter service to MHP tenants would distort and undermine any reasonable effort to calculate a realistic discount." (D.05-04-031 at 6.)

Since the Commission first authorized use of the marginal cost method for calculating the ET discount in D.04-04-043 and D.04-11-033, PG&E has used multifamily marginal capital investment costs for the avoided costs of tenant connections in its proposals (see PG&E's Reply Brief dated October 7, 2011, at 8.) The Commission's reliance on multi-family customer cost data to calculate the Schedule ET discount in D.11-12-053 merely continued the status quo from D.04-11-043, D.04-11-033, and D.05-04-031.

Customer connections among the residential class as a whole range from being close together in large cities (with a higher proportion of multifamily dwellings) to widely spaced in suburban and rural areas. Single family homes on larger lots, however, are the typical residential profile. (D.04-11-033 at 37, Findings of Fact 37 and 38.) With more closely spaced housing units on much smaller lots, the distribution services are shorter and thus less costly than those for the residential class as a whole. MHP units are smaller in size and located in more densely configured developments than single family residences. (WMA/McCann, TR. 1212 lines 21 – 28.)

In D.11-12-053, the Commission thus had a reasonable basis to conclude that cost differences exist among customer classes exhibiting differing service

[14] D.05-04-031 was the Commission's order modifying and denying rehearing of D.04-11-033, as modified.

lengths. Consequently, in D.11-12-053, the Commission reasonably concluded that the use of residential class average costs would overstate avoided costs and thereby artificially inflate the ET discount, contrary to Section 739.5(a).

WMA claims that the Commission's use of multi-family customer costs to calculate the Schedule ET discount reflects a misunderstanding of Section 739.5 which provides for "a sufficient differential to cover the reasonable average costs to master-meter customer of providing submeter service." WMA argues that the term "average cost" in this context should be the same for MHPs and utilities consistent with the rules of statutory construction.

The rules of statutory construction apply where a statute is found to be ambiguous. We find no ambiguity here regarding the interpretation of Section 739. The objective of the differential provided for in Section 739 is to ensure that MM MHP tenants are not charged more than those receiving direct service from the utility.

In D.05-04-031, the Commission ruled on the meaning of "average costs" and rejected the WMA assertion that "comparable services" must mean the residential class as a whole. The Commission upheld Conclusion of Law No. 11 and Finding of Fact No. 33 in D.04-11-033 and noted that Section 739.5 contains no express language referring to the residential class as a whole. In D.05-04-031, the Commission states:

> Moreover, WMA overlooks the fact that there is no express language in [Section 739.5] referring to the residential class as a whole. The phrase in the first sentence of the section '. . . whenever gas or electric service, or both is provided by a master-meter customer to users who are tenants . . .' establishes that the intended subject is limited to the terms and conditions of utility service between master-meter customers and their tenants. This conclusion is more evident

> and clear by reading other subsections of Section 739.5. [D.05-04-031 at 4-5.]

We likewise find no support for WMA's claims that the use of multi-family costs to determine the Schedule ET discount violates Pub. Util. Code § 453(c). This statutory provision states that: "No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service." We find no Section 453(c) violation because WMA has not shown that any similarly situated customers are treated differently.

WMA argues that because PG&E charges all of its residential customers the same rate, including those residing in directly-served mobile home parks, it is discriminatory to apply different cost assumptions to different categories of MHPs. WMA finds it discriminatory to base the costs for MM MHP customers as being equivalent to multifamily while basing costs on the residential average for directly served MHPs. WMA claims that D.11-12-053 thus violates Section 453(c) by basing the Schedule ET discount on multi-family costs.

WMA fails to identify any other categories of residential customers whose service received is the same as for MM MHP customers. The facilities of MM MHP customers are behind the meter and are submetered by the property owner. Thus, there are no discriminatory impacts on MM MHPs compared to directly served MHPs where PG&E individually meters each MHP tenant. The two types of MHPs are not similarly situated. The Schedule ET discount is set based on costs the utility avoids by virtue of not having to operate the submeter system. That calculation need not be made for directly-served MHPs. No discount is needed for them.

End-use customers in both submetered and directly served MHPs are charged the same rate. The mobile home tenant pays the same retail electric rate regardless of whether served directly by PG&E or by the MM operator. Nothing in D.11-12-053 alters the rates charged to submetered or directly served tenants. In the case of the directly served mobile home park, there is no MM customer. As a result, every similarly situated customer is subject to the same rate.

Accordingly, we find no valid basis to modify D.12-11-053 based on WMA's claims that the Commission erred in its use of multi-family cost data rather than the average for the entire residential class in determining the Schedule ET discount.

3.4. Use of the Equal Percentage of Marginal Cost (EPMC) Scalar

WMA claims that D.11-12-053 should be modified to include a provision in the Schedule ET discount for PG&E's "Equal Percentage of Marginal Cost" (EPMC) scalar.[15] In D.11-12-053, the Commission concluded that PG&E's EPMC scalar should not be applied to the Schedule ET Discount.

The EPMC scalar is designed to reconcile the utility's class distribution marginal cost revenues with the full class distribution revenue requirements because marginal cost revenues rarely, if ever, equal the full revenue requirement. The EPMC scalar is a method of applying utility costs to distribution costs that are not considered marginal in a marginal revenue

[15] WMA calculates that if the Commission adopts the modifications to distribution revenue requirements shown in Exhibit 120, the EPMC scalar would be reduced from 1.286 to 1.162, reducing the Schedule ET net discount proposed by WMA to $14.69.

allocation method, designed to ensure that the utility's full revenue requirement is recovered in its rate design.

In D.11-12-053, the Commission found that the utility does not avoid all distribution revenue requirements embedded in authorized levels by not having to install service and directly meter each MHP tenant. The utility only avoids those direct costs represented by the unscaled marginal costs of serving a MM MHP owner instead of each MHP tenant. The Commission thus found that the concept behind using an EPMC scalar for revenue allocation purposes is irrelevant in measuring the utility's avoided costs resulting from MHP operators' serving their submetered systems.

In D.11-12-053, the Commission found that applying an EPMC scalar would overstate the Schedule ET discount by compensating for costs that the utility does not avoid. As such, including the EPMC Scalar in the Schedule ET discount is inconsistent with the intent of Section 739.5(a), which covers MHP operators' average cost subject to a cap equal to the utility's avoided costs, as most recently interpreted in D.04-04-043 and D.04-11-033. (PG&E, Exh. 107 at 1-8, lines 8-11.)

WMA claims that inclusion of the EPMC scalar ensures that the Schedule ET discount is based on the "average utility costs." In this regard, Section 739.5 requires that the MM MHP owner be provided a differential sufficient to cover the "reasonable average costs to MM customer of providing submeter service, not to exceed the average cost that the utility would have incurred in providing comparable services."

In support of its claim that that the EMPC scalar is an element of "average utility cost" for purposes of the Schedule ET discount, WMA references the testimony of Richard J. McCann, Ph.D. (Exh. 115). WMA claims that if the EPMC

scalar is not included, the discount will understate "average costs," and MM customers will subsidize non-MHP utility residential customers.

In D.11-12-053, the Commission was not persuaded by WMA's argument, and determined that the EPMC scalar does not reflect the MM customer's average cost of providing service to tenants. The Commission previously considered the WMA testimony in reaching its conclusions regarding the EMPC scalar as adopted in D.11-12-053. WMA presents no new evidence in its Petition for Modification, but rather reargues positions that we rejected in D.11-12-053.

As noted in D.11-12-053, an EPMC scalar adjustment would provide credit for costs that MM MHPs do not incur and that PG&E does not avoid through the existence of MM arrangements. The scalar does not reflect the "average cost" the utility would incur pursuant to Section 739.5 assuming the utility were to directly serve submetered customers. The scalar reflects costs that are unrelated to whether the utility directly serves the submetered tenant. Consequently, the EMPC scalar reflects costs that are not avoided due to submetering. Many of the costs included in the scalar are related to Commission-authorized programs such as solar rebates, demand response, and other 'public purpose' initiatives that are collected in the distribution revenue requirement.

WMA also fails to justify that excluding the EPMC scalar from the Schedule ET discount is warranted based on a citations to Commission decisions from over a decade ago. WMA cites D.97-04-082, a 1996 Southern California Gas Company (SoCalGas) proceeding (without any specific page reference to identify a relevant passage) and D.00-04-060, a 1999 SoCalGas proceeding that once used an EPMC scalar (D.00-04-060 at113). In D.11-12-053, however, the Commission recognized more recent decisions that have taken a different approach with

respect to the EMPC Scalar. For example, in the subsequent multi-utility decision on MM MHP discounts (D.04-04-043), neither Attachment A (regarding electric discount calculation) nor Attachment B (regarding gas discount calculation) mentions any EPMC scalar. Since then, no other gas or electric Commission decision addressing MHP discounts has used such a scalar.

In D.04-11-033, the Commission concluded that the ET discount should be set at the utility's avoided cost cap, and not at the mathematical average of MHP owner's cost (see D.04-11-033, COL 12 at 42). In D.11-12-053, the Commission reached a conclusion consistent with the holding in D.04-11-033 that "we see no reason not to allow the use of a marginal cost method for calculating the discount." In neither D.04-11-033 nor D.04-04-043 does the Commission reference the use of an EPMC scalar to adjust marginal costs for purposes of setting the discount. Submetered tenants do pay the EPMC scalar in their rates. Consequently, including the EPMC scalar in the ET discount would allow the MM customer to retain the full amount of the scalar while providing no services that form the basis for the adjustment.

An EPMC scalar has never been applied in any electric MM MHP discount calculation. Thus, in view of these more recent decisions cited above, we find no merit in WMA's claim that the 12-year-old findings in D.00-04-060 serve as meaningful precedent with respect to the EPMC scalar treatment adopted in D.11-12-053. Accordingly, we find no basis to modify D.11-12-053 to include the EPMC scalar in calculating the Schedule ET discount.

3.5. Claims Relating to Proposed Line Extension Tariff Increases

WMA filed a supplement to its Petition on March 13, 2012, claiming that there was new information relevant to its claims for modification in the

Schedule ET discount. WMA references PG&E's March 1, 2012 Advice Letter 4008-E filing, which revises PG&E's Rule 15 *gas* line extension tariff. WMA asserts, however, that PG&E is seeking to increase its electric line extension tariff by 3.4% based on 2011 GRC inputs, which is below the 5% threshold for requiring an allowance change. WMA claims that this indicates an increase in PG&E's cost of service that WMA believes should be used to increase the Schedule ET discount. (WMA March 13, 2012 Supplement at 1.) WMA claims that the line extension allowance was directly tied to the submeter discount by the Commission in D.04-04-043 in Attachment A, where Rules 15 and 16 are explicitly referenced and used as guides for setting the discount. WMA claims the statements and calculations in the Advice Letter indicate that PG&E's cost of service is increasing. WMA claims this increase is opposite to PG&E's contentions to the effect that the cost of serving a subset of residential customers, namely MM customers, decreased.

PG&E filed a response explicitly stating that the referenced advice letter is *not* seeking to increase the electric line extension tariff. PG&E also argues that an increase in its cost of service is not related to the ET discount. The cost of ownership for line extension allowances is not a marginal cost concept, but an embedded cost concept using impacts that are already largely incorporated in the ET discount. Multifamily new connection costs are well under the allowance. An increase to the line extension allowance does not indicate an increase in the multifamily connection costs. The new connection costs use median costs and are below the line extension allowance.

We find no basis to conclude that the Schedule ET discount should be increased based on PG&E's line extension advice letter. Even if the electric line extension allowance were to increase (which PG&E is not seeking in

Advice Letter 4008-E), it would have no impact on multifamily connection costs. No matter how much new connection costs increase for the more expensive multifamily jobs because of increased allowances (which would increase PG&E's cost responsibility for these more expensive jobs), the number of cost observations remain unchanged. Thus, the median cost remains unchanged. PG&E's line extension tariff increase provides no basis to conclude that Schedule ET discounts in D.11-12-053 should be modified.

3.6. Significance of the Customer Charge for SmartMeter Program

WMA also calls attention to D.12-02-014 regarding the opt-out fees adopted for PG&E's SmartMeter Program. WMA claims that the $10.00 monthly customer charge is solely for meter reading and based on PG&E's actual cost of service data. (See D.12-02-014 at 24-25, Table 2.) WMA argues that while the MM discount covers a range of services (i.e., meter reading, billing, repair, maintenance and system review,) the $10.00 monthly customer opt-out charge is solely for meter reading. WMA argues that it is inconsistent for the Commission to find that it costs $10.00 for PG&E to read meters, yet simultaneously find that it would cost PG&E only $2.40 to engage in extensive services.

PG&E responds that the $10 charge for opting out of a SmartMeter is not comparable to the meter reading costs for MM MHPs. The SmartMeter opt-outs are expected to be dispersed across a wide area. MM MHP tenants, by contrast, are clustered much more closely together, where every meter in a local area is read one next door to the other.

PG&E explains that it would lose significant economies of scale of density in servicing the SmartMeter opt-out routes in comparison to MM MHP routes,

and that the $10 monthly metering cost for SmartMeter opt outs thus is not comparable to the metering reading costs to serve MM MHPs.

Based on WMA's claims and PG&E's responses, we find no reason to conclude that the Schedule ET discount should be modified merely based on the $10 charge for the SmartMeter opt out. We agree with PG&E that given the noted differences in cost characteristics, the SmartMeter program is not comparable to the costs underlying the Schedule ET discount.

4. Comments on Proposed Decision

The proposed decision of ALJ Pulsifer in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code, and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

5. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Thomas R. Pulsifer is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. D.11-12-053 adopted various provisions regarding the determination of the MM MHP discount under Rate Schedule ET.

2. D.11-12-053 adopted the Schedule ET discount based on use of new connection equipment cost data derived from PG&E's 2003 General Rate Case escalated to 2011 price levels.

3. Although PG&E used 2009 new connection cost data in calculating 2011 marginal costs used for revenue allocation for the residential class, the Commission did not use such data for purposes of the Schedule ET discount.

4. The use of 2009 data for the Schedule ET discount would produce skewed results because 2009 was not representative of normal residential construction, but reflected one of the worst economic downturns since the 1930's Great Depression era.

5. WMA failed to show that the Commission was unreasonable in continuing to use 2003 cost data, escalated to 2011 levels, for purposes of the Schedule ET discount.

6. WMA failed to identify any undue discriminatory impacts on master metered MHPs compared to directly served MHPs where PG&E individually meters each MHP tenant. The two types of parks are not similarly situated.

7. WMA does not identify other categories of residential customers whose service received is the same as for master metered MHP customers.

8. The rationale for using 2003 data for Schedule ET purposes did not preclude the Commission from utilizing 2009 for revenue allocation among customer classes in D.11-12-053. All customer classes were affected by the 2009 economic downturn, and all costs may have been to some degree similarly skewed.

9. Because MM MHP units tend to be closer together than the residential class average, designing Schedule ET rates based on the differing utility avoided costs for the specific characteristics of the different service received by MM MHPs is not unreasonable and does not violate Section 453(c).

10. In D.11-12-053, the Commission found that the use of residential class average costs would overstate MHP avoided costs and thus inflate the ET discount higher than avoided costs, contrary to Section 739.5(a).

11. In D.11-12-053, the Commission found that applying an EPMC scalar would overstate the Schedule ET discount by compensating for costs that the utility does not avoid.

12. The EPMC scalar is designed to ensure that the utility's full revenue requirement is recovered in its rate design by reconciling utility class distribution marginal cost revenues with the full class distribution revenue requirements. Marginal cost revenues rarely, if ever, equal the full revenue requirement.

13. The EPMC scalar applies utility costs to distribution costs that are not considered marginal in a marginal revenue allocation method, designed to ensure that the full revenue requirement is recovered in rate design.

14. The EPMC scalar reflects costs that are unrelated to whether the utility directly serves the submetered tenant, and thus, the EMPC scalar reflects costs that are not avoided due to MHP submetering.

15. Including the EPMC scalar in the Schedule ET discount would allow the MM customer to retain the full amount of the scalar while providing no services that form the basis for the adjustment

16. WMA failed to provide a supporting citation to the record, any affidavit or declaration, or any attested supporting workpapers for its claim that adoption of its proposed modifications would increase the Schedule ET base discount to $17.21 and to a $14.69 net discount if the EPMC scalar were applied. Neither PG&E nor TURN could replicate the WMA calculations of the revised discount amount.

17. The meter charges under PG&E's SmartMeter program are based on different cost characteristics that are not applicable to the Schedule ET discount.

Conclusions of Law

1. WMA has not demonstrated the existence of errors in the findings or conclusions of D.11-12-053 warranting modifications relating to the determination of the Schedule ET discount.

2. As prescribed in Rule 16.4 of the Commission's Rules of Practice and Procedure, a Petition for Modification is a vehicle through which to formally request changes to a Commission-issued decision.

3. As a basis for modification of a Commission decision, a Petitioner must concisely state the justification for any requested relief, and must provide specific wording to carry out requested modifications.

4. In its Petition, WMA failed to justify its requests for modification, and has not provided an evidentiary basis to delete D.11-12-053 text and related findings and conclusions supporting its Petition.

5. No provision of D.11-12-053 relating to the Schedule ET discount results in undue discriminatory treatment under the provisions of Public Utilities Code Section 453 (c).

6. Under Rule 16.4, allegations of new or changed facts must be supported by an appropriate declaration or affidavit. WMA has failed to provide the requisite affidavit or declaration to support alleged new or changed facts.

7. The Petition for Modification of D.11-12-053 filed by the Western Manufactured Housing Communities Association should be denied.

O R D E R

IT IS ORDERED that the Petition for Modification of Decision 11-12-053, filed by Western Manufactured Housing Communities Association is hereby denied.

Application 10-03-014 is closed.

This order is effective today.

Dated _____, at San Francisco, California.