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January 20, 2012 **VIA MESSENGER**

The Honorable Michael R. Peevey
State of California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: TURN/PG&E Joint Response to WMA Ex Parte Notices of January 13, 2012 on D.11-12-053 in A.10-03-014, PG&E's GRC Phase 2

Dear President Peevey:

The Utility Reform Network (TURN) and Pacific Gas and Electric Company (PG&E) wish to respond to ex parte notices filed on January 13, 2012 in A.10-03-014 by the Western Manufactured Housing Communities Association (WMA). We respond now as these ex parte contacts with Commissioner's advisors may be a precursor to a potential WMA Application for Rehearing of D.11-12-053, the Commission's decision on Master Meter Mobile Home Park (MM MHP or Schedule ET) discount issues, as part of the marginal cost, revenue allocation, and rate design issues in PG&E's 2011 GRC Phase 2 decision (issued on December 22, 2011).

1. There is nothing new in WMA's misleading Ex Partes. In reaching its disposition in D.11-12-053, the Commission and the ALJ were well aware that they were adopting a reduction in PG&E's current net Schedule ET discount for MM MHPs. The Decision expressly noted that PG&E's discount "is currently $11.54 [per space per month], and dates back to a 2003 settlement." (D.11-12-053. p. 39.) A full 18 pages of the decision summarizes the voluminous record regarding each party's position on the methodological elements that determine the calculation of the total discount, and at page 39 the Decision acknowledged that the parties' resulting proposed discounts covered a wide range: from WMA's higher proposal, to TURN/PG&E's proposed reduction to a $2.40 net discount.[1] After reviewing the robust record on MM MHP discount issues -- including two full days of evidentiary hearings, and upwards of 150 pages of briefs just on the ET issue – the Commission's well-reasoned decision on each

[1] The graph attached to WMA's ex partes, which is similar to one presented in its briefs, continues to contain misrepresentations. For example, it incorrectly depicts TURN's discount proposal as being different from PG&E's. But as WMA well knows, after all parties had reviewed each others proposals, TURN and PG&E both accepted some of WMA's points as well as each others, and TURN and PG&E ended up supporting the same cost-based discount as the Commission adopted by the Commission in D.11-12-053.

methodological question at issue properly resulted in adoption of the resulting $2.40 net discount, plus the Diversity Benefit Adjustment of $5.15, for a **total payment to park owners of $7.55 per month**.[2] The record contained ample evidence that the current discount of $11.54 (which resulted from settlements in both of the last two PG&E GRC2's) is not only much higher than utility costs avoided by submetering, but is also significantly higher than those of both SCE ($4.50)[3] and SDG&E ($8.28). The Commission was right to remedy that and remove the burden of the current subsidy from other ratepayers. Contrary to WMA's complaint that the "new discount would result in a wealth transfer from park owners to PG&E" the evidence shows that **for too long there has already been a wealth transfer from *other ratepayers to MM MHP owners* and it is time for this subsidy to stop, as the CPUC's decision properly did.** WMA's members simply are not entitled to receive a discount any higher than utility avoided costs. The Commission's decision creates no "wealth to PG&E," but removes an excess subsidy burden from other ratepayers.

2. WMA fails to recognize a significant policy disconnect between its proposals and the direction the CPUC has laid out in R.11-02-018. If the CPUC were to do as WMA asks and change course toward a discount that is higher than the cost-based rate adopted in D.11-12-053, it would undermine the CPUC's efforts to encourage utilities to acquire these MM MHP systems and convert them to direct service on a timely and fair basis. (R.11-02-018, p. 15). In issuing that OIR, the CPUC acknowledged the state of current law, which makes the decision to transfer to direct utility service purely *voluntary*, not mandatory. (Id., p. 5, citing P.U. Code Section 2791(a).) Certainly, each park owner is keenly aware that conversion would mean his monthly ET discount payments would then cease.

The higher the discount park owners are receiving at the time they make this decision, the less likely they will volunteer for transfer to direct service, thereby ending their high monthly discount. Indeed, in the 13 years since P.U. Code Section 2791 – 2799 became law in 1997, and under the current PG&E "all-in" discount of $11.54, only 14 of the approximately 1,300 electric MM MHPs on PG&E's system have actively pursued potential transfer to direct utility service, and of those, only three proceeded to completion – a circumstance that caused WMA to petition

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[2] The decision adopted an illustrative Diversity Benefit Adjustment (DBA) of $5.15 but required PG&E to file an Advice Letter (AL3896-E-B) calculating the final DBA which came to $5.20, based on 1/1/2012 rates. This made the final net ET discount $2,35. WMA's claimed "disastrous" effect of reducing from $11.54 to the illustrative $2.40 net discount forgets that the average park will actually receive not only $2.35 per space per month, but an additional $5.20 per space per month in DBA benefits. (The DBA compensates for the fact that the park owner is able to bill individual submetered tenants at higher tiered prices than the blended total usage at the master meter billed by PG&E, as PG&E does not know the tier of usage of each individual MHP tenant behind the master meter, and the prior $11.54 discount was a lump sum "all-in" settlement that *included* the DBA.) Thus in reality, $2.35 + $5.20 = **$7.55 will be available to the average MHP for use to maintain, repair, and replace its submetering system** -- a 35% reduction from the currently over-inflated level, not the 79% drop alleged by WMA

[3] SCE's net discount with customer charge is $4.50, and its average DBA is $5.17; SDG&E's discount of $8.28 is an "all-in" black box settlement that includes the DBA.

the CPUC to open an OIR. Adopting a lower discount is fully consistent with efforts to solve this problem. If the CPUC were to rehear D.11-12-053 and adopt a higher discount, this would tend to encourage uneconomic decisions by creating an inappropriate disincentive to pursue transfer to direct service, contrary to the CPUC's policy direction in the OIR. The discount level adopted in D.11-012-053 creates the best incentive for MM MHPs to move forward toward timely transfers to direct utility service, in furtherance of the Commission's stated policy in the OIR.

Having failed to convince the ALJ and the Commission on its claims last year, WMA now appears to be poised to seek rehearing so that it can take yet another run at the discount issue, when the focus now should be on the OIR. Granting a rehearing of the GRC Phase 2 would be unwise as it would lead to even more precious resources being spent on this issue. Enough is enough – WMA's penchant to fight and re-fight the same battles should not be further indulged. The decision properly resolves a range of long-festering methodological issues, and does so consistent with prior CPUC decisions. Thus it properly establishes a MM MHP discount that accurately reflects utility avoided costs. More importantly, by adopting the discount proposed by TURN/PG&E, the CPUC best supports the overall policy direction of seeking to encourage these MHPs to shift to utility direct service as quickly as possible through R.11-02-018.

For all of these reasons, TURN and PG&E respectfully request that the CPUC deny any WMA request for a rehearing.

Sincerely,

Pacific Gas and Electric Company

/s/
Gail L. Slocum

The Utility Reform Network

/s/
Matthew Freedman

GLS/as

cc: *Commissioner Timothy A. Simon*
Commissioner Michel P. Florio
Commissioner Catherine JK Sandoval
Commissioner Mark J. Ferron
Administrative Law Judge Thomas Pulsifer
All Parties of Record in A.10-03-014