

Mobile Home Park OIR

R-14-02-018

February 24, 2014



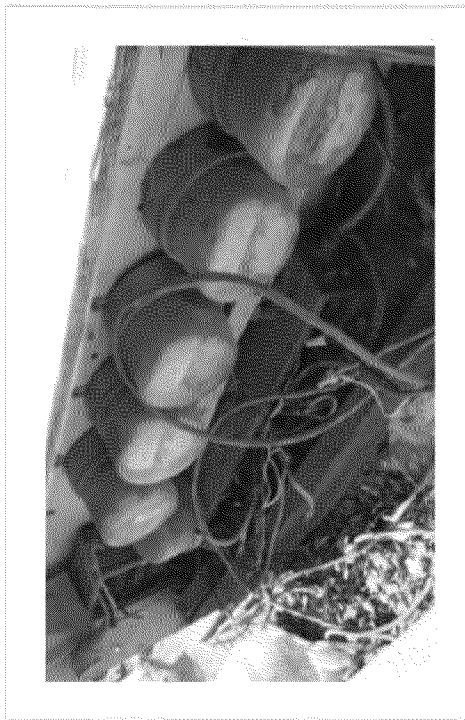


Mobile Home Parks

- A master-metered MHPowner is responsible for the distribution systems, including maintenance and billing, beyond the master-meter
- A monthly, per-space electric and gas rate discount to master-metered MHP owners (electric: \$2.35, gas: \$14.57) designed to allow owners to maintain systems
- In 1997, new legislation eliminated private distribution system ownership at MHP
- Current statutory process allows MHPowners to transfer systems and responsibility to IOUs, provided systems comply with applicable standards

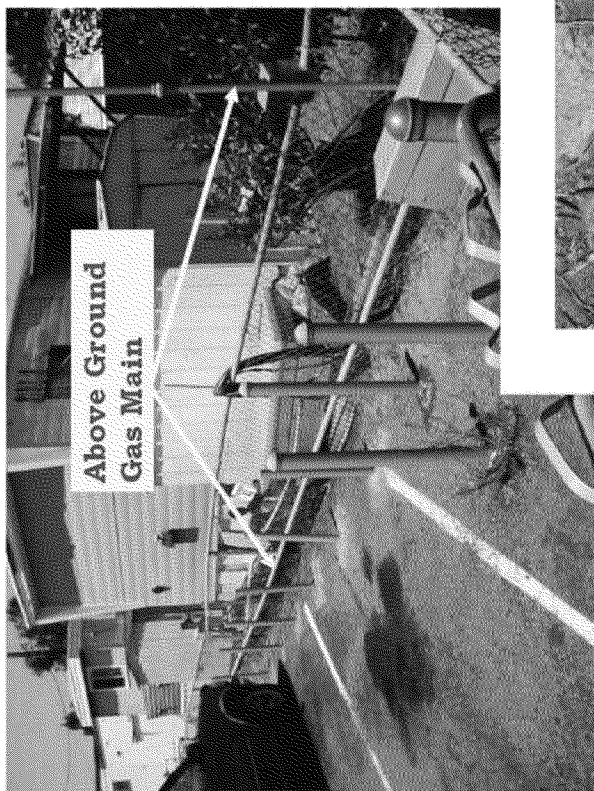
| | Master-Metered Parks | Mobile HomeSpaces |
|------------------------|----------------------|-------------------|
| PG&E | 1,383 | 105,000 |
| SCE | 1,308 | 107,000 |
| SDG&E | 694 | 45,000 |
| SoCalGas | 1,425 | 129,000 |
| Others | 95 | 5,000 |
| Total Statewide | ~4,905 | ~391,000 |

Source: R.11-02-018, Exhibit 15..

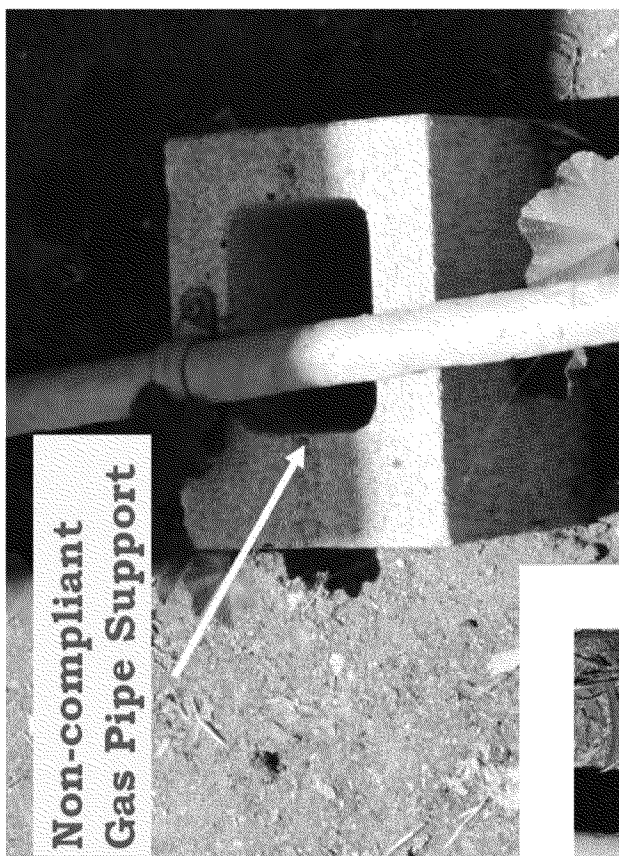




Gas System Safety



Above Ground Gas Main



Non-compliant Gas Pipe Support

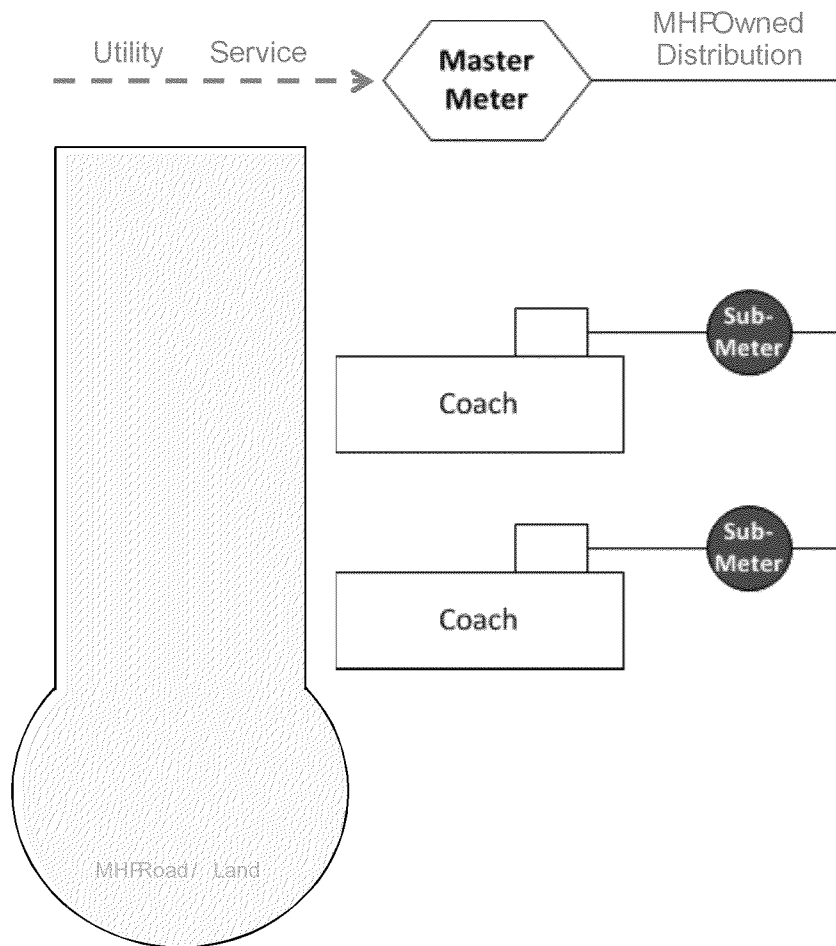


Non Standard Joining of Two Pipe Sizes for Gas Main

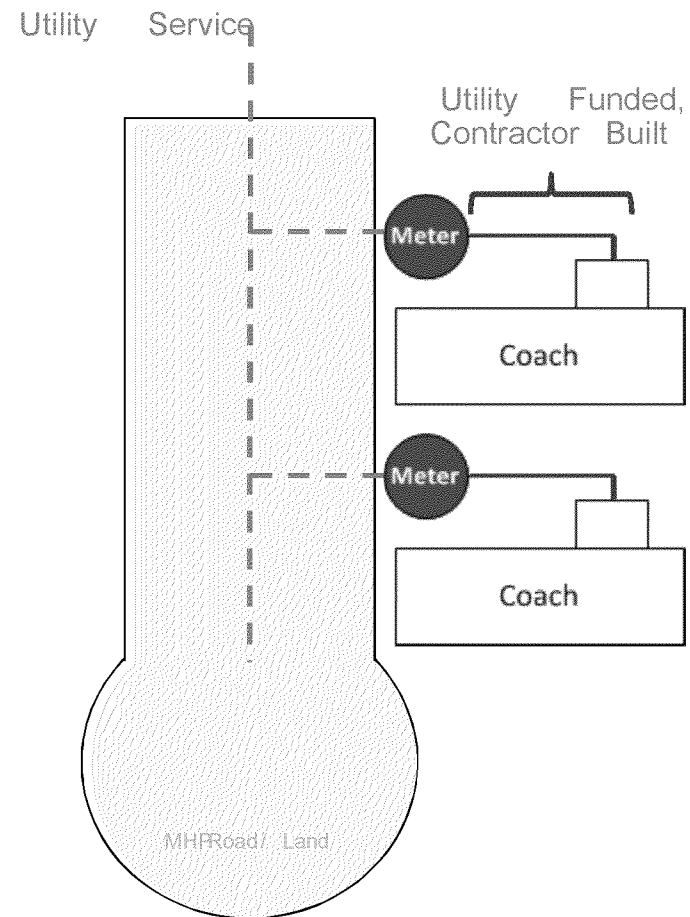


Sample Utility System Diagram ⁵

Current State



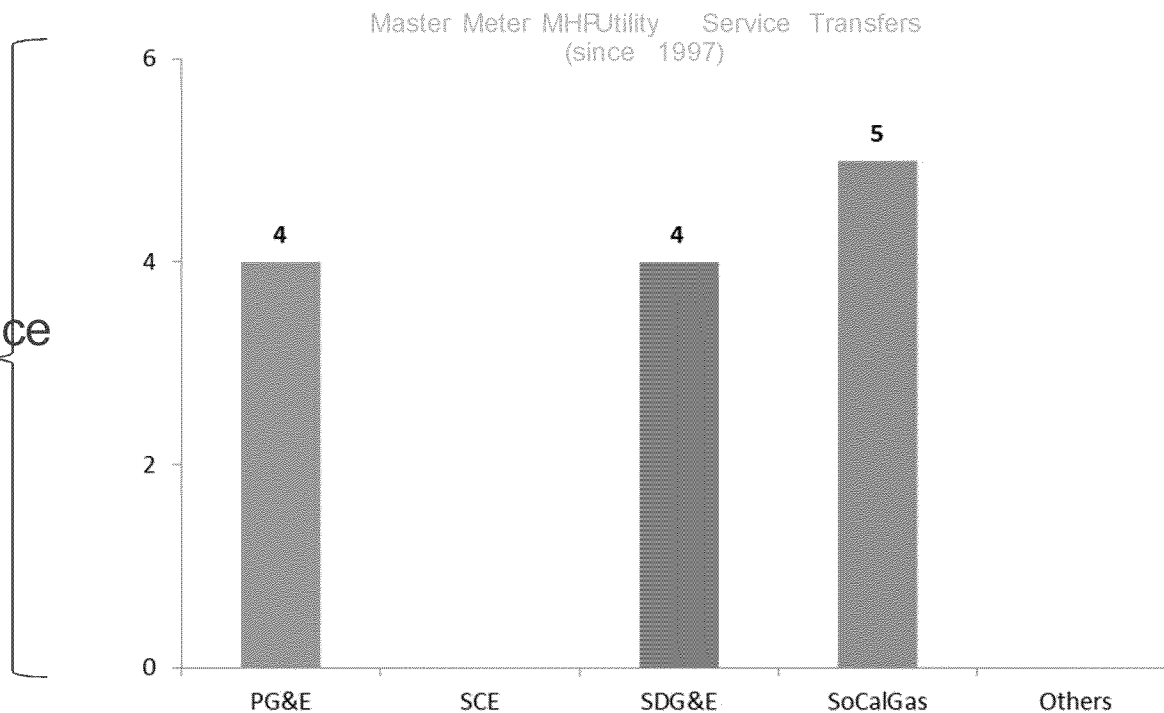
Proposed State





A Troubled Past

Since 1997, 13 master-metered MHPs transferred utility service responsibility to IOUs under the existing statutory process



- Current statutory transfer program has failed
- There is no incentive for MHP owners to pay for transfer upgrades
- Current policy problems – Safety problems from neglected systems, no incentive to keep systems safe, enforcement of codes is difficult

Source: R.11-02-018, Exhibit 1. SCE conversions (15) performed under rule 15/16 tariffs, not statutory transfer process.



PG&E Program Estimates

| | 10-year 100% Participation (\$ in millions) | 10-year 50% Participation (\$ in millions) | PD, 3-year 10% Participation (\$ in Millions) |
|------------------|---|--|---|
| To-the-meter | | | |
| Capital Expense | \$1,210 M 62 | \$612 M 34 | \$114 M 7 |
| Beyond-the-meter | | | |
| Capital | 786 | 393 | 72 |
| Total | ~\$2,000 Million | ~\$1,000 Million | ~\$193 Million |

The PD controls costs of the program by limiting participation, and prioritizes higher risk MHPs



Recommended PD Changes

8

PD should not treat safety investments worse than other utility investments

- The PD sets recovery of beyond-the-meter costs at the cost of debt, which does not allow for the recovery of necessary utility financing costs
- Beyond-the-meter expenditures should be capitalized at PG&E's weighted-average cost of capital, consistent with the current Rule 20A program, since PG&E must finance the program with debt and equity

PD Should Allow for Timely Recovery of Costs:

- The PD sets recovery on an actual basis rather than a forecast basis
- Cost recovery should be made on a forecast basis, as recommended by all parties, to avoid rate shock

Commissioner Comments
12-20-12
PG&E PSEP Decision

Commissioner Florio

But it is our judgment at this time that a reduction in the return on equity would send the wrong signal that somehow investment in safety is less important than investments in other aspects of the utilities business. I would also point out that the Cost of Capital Decision, which I believe we voted out with the consent agenda, reduces PG&E's return on equity for its entire operation by a full percentage point and the dollar effect of that will well exceed the rate of return penalty that we are removing from this decision.

Commissioner Ferron

But there is a point which I think there is some confusion on which I would like to clarify. An earlier version of the PD would have dramatically lowered the return in equity allowed to PG&E shareholders on these important capital investments in pipeline safety. Past Commission decisions have made reductions to ROE in response to management failures. But I was concerned that this approach would have unintended consequences. Our utilities need to raise substantial amounts of capital at the same time that there's a huge need for investment in energy infrastructure across the country.

On our Consent Agenda today we approved a new cost of capital for all State's utilities including PG&E. That decision sets a return on equity that is fair and reasonable and sends a clear signal to the market to invest here in California. But the market for investment capital is global, and extremely competitive, and, like it or not, California has often been perceived as investor unfriendly. Tampering with the return on equity only adds to this impression. And in the extreme could result in a widening of the so-called "California premium," that is the incremental return required by investors in California utilities, relative to comparable utilities in other parts of the US. This widening could increase the cost of capital for all California utilities and enhance increase costs to all ratepayers in the long run.