Decision 14-03-021 March 13, 2014

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)

DECISION ON ISSUES CONCERNING VOLUNTARY CONVERSION OF ELECTRIC AND NATURAL GAS MASTER-METERED SERVICE AT MOBILEHOME PARKS AND MANUFACTURED HOUSING COMMUNITIES TO DIRECT SERVICE BY ELECTRIC AND/OR NATURAL GAS CORPORATIONS

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1. Summary

Today's decision responds to the central question that the Commission asked in opening this rulemaking: What can and should the Commission do to encourage mobilehome parks and manufactured housing communities (collectively, MHPs) with master-metered natural gas and electricity to transfer to direct utility service? After three years of review, we approve a three-year pilot program to incentivize voluntary conversions. We do not adopt either of the two competing proposals advanced by the parties in toto but instead draw elements from both of them to fashion a "living pilot." We conclude the pilot must test the feasibility of conversion on a combined "to the meter" and "beyond the meter" basis for approximately 10% of the residential spaces in each utility's service territory. The record as a whole, including the very few completed conversions during the past 17 years under the existing statutory transfer process, persuades us that limiting construction "to the meter" is insufficient to achieve significant conversions.

The pilot program we approve is both affordable and fair. Projections of the residential rate impact in the years 2015 thru 2017 show very minimal, monthly rate increases. For electric rates, the projected rate increases (depending upon utility service territory and year) range from a low of 0.002¢/kilowatt hour (kWh) to a high of 0.063¢/kWh. For natural gas rates, the projected rate increases (also depending upon utility service territory and year), range from the virtually nondetectible to a high of 0.0040 $/therm.

Criteria for conversion must focus on safety first and then, on reliability and capacity improvements. In order to maximize efficiency and minimize costs overall, where possible conversion of entire parks should be encouraged, as should joint trenching efforts that permit conversion of both natural gas and electric systems. To expand potential trenching efficiencies, utilities also should consult with water and telecommunications providers serving the MHP, and with municipal and public agency utility providers.

Utilities will be authorized to fully recover the reasonably incurred, actual costs of the conversion program in distribution rates. Reasonable incremental expenses for program development and administration, not otherwise recovered in rates, should be entered as incurred for annual recovery in the utility's pilot program balancing account. Reasonable expenditures for actual construction costs should be entered as incurred and recovered in the year following cut over to direct utility service. "To the meter" construction costs will be capitalized at the utility's then-current authorized rate of return on rate base, based on actual (not forecast) expenditures. "Beyond the meter" construction costs also will be capitalized based on actual (not forecast) expenditures but, consistent with their status as a regulatory asset, will be amortized over ten years at the utility's then-current authorized return on rate base.

We will require reporting, as specified, at the end of each of the three years so that we can fine-tune the conversion program as warranted, assess whether the program should be made permanent before the three-year term concludes, or should unforeseen problems arise, bring the program to an early end.

2. Background

This rulemaking grapples with issues that have proven intractable for decades. Central to them all is how to ensure the safe, reliable and fairly-priced

delivery of electricity, natural gas, or both, to the residents of mobilehome parks and manufactured housing communities (collectively, MHPs) located within the franchise areas of electric and/or natural gas corporations, those Commission-regulated entities commonly referred to as public utilities.[1] As the Order Instituting Rulemaking (OIR) that initiated this rulemaking on February 24, 2011, explains:

> Many residents of MHPs (Mobilehome Parks) built in California before 1997 do not receive electricity and/or natural gas directly from the utility holding the franchise to provide distribution-level service. Instead, the utility serves a master-meter customer (typically, the MHP owner or operator) who then distributes the electricity, natural gas, or both to individual coaches or homes at the MHP through a privately owned submeter system. [fn omitted] (OIR 11-02-018 at 3.)[2]

In 1997, a new statutory framework, entitled *Transfer of Facilities in Master-Metered Mobilehome Parks and Manufactured Housing Communities to Gas or Electric Corporation Ownership* took effect.[3] Codified as Public Utilities

[1] For ease of reference, we generally refer to these entities by the simple terms "utility" or "utilities" without further modification and we refer to the singular or plural of the terms "mobilehome park" and "manufactured housing community" collectively as MHP or MHPs.

[2] The OIR, at 3-9, includes an extensive review and discussion of several foundational topics (i.e., MHP master-meter/submeter pricing structure, the Public Utilities Code §§ 2791-2799 submeter transfer program, and submeter system responsibilities and oversight). Because today's decision relies upon familiarity with these topics, we have attached that discussion to today's decision without revision as Appendix A and titled it *Additional Background*.

[3] Stats. 1996, Ch. 424, Sec. 1 (effective on January 1, 1997), added Chapter 6.5 to Part 2 of Division 1 of the Public Utilities Code.

Code §§ 2791-2799, this statutory framework has three primary components.[4] One, all MHPs constructed after January 1, 1997 shall provide directly metered natural gas and/or electric service to individual coaches/manufactured homes. (*See* § 2791(c).) Two, MHP owners may transfer existing master-meter/submeter systems at MHPs constructed prior to January 1, 1997 to utility ownership and control, if those systems meet specified requirements. (Section 2791 et seq. describes the fundamental capabilities an existing submeter system must possess to be acceptable for transfer to a utility and provides a roadmap for the transfer process.) Three, the costs of the transfer process shall not be passed through to MHP residents.

However for a variety of reasons, in the ensuing 17 years little more than two-dozen master-meter/submeter gas and electric system conversions have occurred. For the largest four utilities, the parties' joint Exhibit 1 reports the following conversions: Pacific Gas and Electric Company (PG&E) -- four MHPs, one of them gas only; Southern California Edison Company (SCE) -- 15 MHP electric systems; Southern California Gas Company (SoCalGas) -- five MHPs, one gas only and two completed concurrently with SCE; and San Diego Gas & Electric (SDG&E) -- four MHPs, one electric only.

Based in part on this history, Western Manufactured Housing Community Association (WMA) filed a § 1708.5 petition for rulemaking in 2010 and the Commission opened this rulemaking in response. The OIR focuses on this central question:

> [W]hat the Commission can and should do to encourage, on a reasonable basis and in a manner both timely and fair to all

[4] All statutory references mean the Public Utilities Code unless otherwise specified.

> concerned, the replacement by direct utility service of the submeter systems that supply electricity, natural gas, or both to mobilehome parks and manufactured housing communities located within the franchise areas of electric and/or natural gas corporations. (OIR 11-02-018, Ordering Paragraph 1.)

Based on input from the parties, the OIR identifies three broad issues of "undisputed merit," which the assigned Commissioner's initial scoping memo reiterated:

- Ensuring the safety of utility service at MHPs, or safety and reliability.
- Establishing a means/method for prioritization of transfers from MHP submeter systems to direct service, including clarity of scope – must transfers be voluntary or can/should the Commission move toward the complete elimination of MHP submeter systems?
- Ensuring reasonableness/equity in cost allocation associated with transfers, including the impact on all ratepayers, whether MHP tenants or not. (OIR 11-02-018 at 15; Scoping Memo at 2.)

3. Procedural History

3.1. Quasi-legislative Phase

The OIR calls for "a collaborative approach that will fashion creative solutions to advance existing legislative policy favoring direct utility service in ways both timely and fair to all." (OIR 11-02-018 at 1.) The OIR initially categorized this rulemaking as a quasi-legislative proceeding.

On April 15, 2011, the assigned Administrative Law Judge (ALJ) convened the first prehearing conference (PHC). Ultimately, the Commission held five PHCs. The assigned Commissioner filed a scoping memo on May 11, 2011, which among other things established individual working groups to address three topics: (1) identification of a single database listing all submetered MHPs

where Commission-regulated gas and/or electric utilities serve the master-meter customer; (2) development of a questionnaire to be sent to the owners/operators of those MHPs, aimed at providing a survey of MHP size and submeter system conditions; and (3) development of an agenda for a workshop on existing standards and safety practices applicable to MHPs.

Within the following month the questionnaire working group, with input from Commission staff, finalized a survey of 20 questions (with subparts). The survey cover letter requested return of the completed survey by June 15, 2011, and identified the sponsors as the Commission, together with the following parties: WMA, Golden State Manufactured-Home Owners League (GSMOL), The Utility Reform Group (TURN), Bear Valley Electric Service (BVES), PacifiCorp dba Pacific Power (PacifiCorp), PG&E, SCE, SDG&E, SoCalGas and Southwest Gas Corporation (SWGas). Each utility provided a copy of the cover letter and survey to the MHP master-meter customers within its service territory by direct mail or other means.

On June 13, 2011, on behalf of all participating utilities, SCE filed a report that provides summary data about MHPs in each utility service territory, including estimates of the total number of MHPs, how many of these are electric only or gas only, and the total number of spaces within those MHPs. The following morning, June 14, the ALJ held a second PHC. Among other things, the ALJ described the process that Commission advisory staff proposed, and which the ALJ would oversee, for the transfer of survey responses to an electronic database so that responses to each question could be summarized and a report created. A staff member from the Commission's Information Technology team demonstrated the database and related data entry form during a PHC recess.

That afternoon, the Commission held a workshop on existing MHP standards and safety practices.[5] Staff from the Commission's Consumer Protection and Safety Division (now Safety and Enforcement Division, or SED) made a presentation, as did a representative of the California Department of Housing and Community Development (HCD) and each of the five largest utilities.

On August 10, 2011, the ALJ issued a ruling in advance of the third PHC set for August 19. The ruling includes a preliminary report that summarizes, without revealing any customer-specific data, the information in the approximately 680 survey responses received up to the date of the ruling. At the subsequent PHC, the parties asked the ALJ to provide a more detailed breakdown of the responsive data for one survey question.[6] They also agreed to move forward to prepare written proposals to address the issues and the assigned Commissioner, who attended the PHC, again urged collaboration. On August 26, 2011, the ALJ issued a ruling that provides the additional survey response information the parties had requested and addresses several other outstanding matters.

Thereafter, the following parties filed initial proposals on October 21, 2011: PG&E, SCE, SDG&E and SoCalGas (jointly), TURN and GSMOL (jointly), SWGas, and San Luis Rey Homes, Inc. (SLRH), a

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[5] Notice of each informal workshop held in this rulemaking was provided to the service list; an agenda and copies of all PowerPoint presentations is posted on the Commission's website at: http://www.cpuc.ca.gov/puc/energy/mhp.htm

[6] Upon being informed that the ALJ was continuing to receive completed surveys, the parties agreed that no useful purpose would be served by adding late-received survey responses to the database or updating the report. We discuss the report's limited value in Section 4.1.

resident-owned park. WMA received advance leave to file its proposal on October 25, 2011. As previously agreed, the Commission held a workshop on November 2-3, 2011, where the parties described their filed proposals and responded to questions from other parties. With leave, WMA filed an alternate proposal on November 9, 2011. The following parties filed written responses to the various proposals: SLRH on December 7, 2011; and on December 9, 2011, the Coalition of California Utility Employees (CUE), PacifiCorp, PG&E, SCE, WMA, and jointly, TURN and GSMOL.

Negotiations among the parties followed. At a fourth PHC, which was rescheduled several times and then held on January 17, 2012, the parties publicly revealed that they were involved in preliminary settlement discussions and as a basis for further conversations, were working to develop common sample costs for conversion of MHP submeter systems to direct utility service. The parties requested time to continue their negotiations. Thereafter, PG&E and SWGas noticed a settlement conference for March 8-9, 2012.

The ALJ convened a fifth PHC on April 18, 2012, where the parties explained that their discussions had resulted in two different MHP conversion proposals.[7] Following the fifth PHC, the assigned Commissioner issued an amended scoping memo, which directed the utilities, WMA, and other interested parties to develop and serve, as Exhibit 1, "a single report that identifies cost estimates for converting a master-meter service to direct utility service, using at

[7] PG&E, SWGas, WMA and SLRH reported their general agreement on the major terms for a comprehensive proposal to convert master-metered/submetered service to direct utility service. SCE, SDG&E and SoCalGas reported differences with the four settling parties on at least one major issue, and the Division of Ratepayer Advocates (now the Office of Ratepayer Advocates or ORA) and TURN reported additional concerns.

least one common case study." (Amended Scoping Memo at 4.) The amended scoping memo required costing of both "to the meter" and "beyond the meter" conversions (*see* Section 4.2, below, for discussion of these concepts) and enumerated other particulars for the report. The ruling also set a schedule for the service of prepared testimony to describe the two conversion proposals.

Subsequently, on October 1 and November 13, 2012, the ALJ issued rulings to memorialize schedule changes the parties had requested and on November 20, 2012, the parties served the Exhibit 1 costing study, together with other prepared testimony (preliminarily identified as Exhibit 2 through 16) in support of one or the other of the two conversion proposals. The February 7, 2013, joint ruling of the assigned Commissioner and ALJ formally identified Exhibits 2 through 16, and along with Exhibit 1, received all of these exhibits in evidence. The joint ruling also set a consecutive morning workshop and an afternoon public meeting with the assigned Commissioner on March 4, 2013, and lastly, extended the procedural timeline for resolution of this rulemaking to 18 months after May 17, 2012 (the date of the amended scoping memo).

The March 4 events were held as scheduled. The ALJ facilitated the workshop, which included presentations by HCD on electrical system permitting and by SED on natural gas prioritization issues. The public meeting, which focused on exploring potential alternatives for financing MHP submeter conversions, included a presentation on real estate investment trusts, or REITS. Following these events, the parties engaged in further informal discussions.

3.2. Ratesetting Phase

On July 17, 2013, the assigned Commissioner issued a second amended scoping memo, which identified the procedural and substantive "next steps" to a

proposed decision. The second amended scoping memo identified several potential problems with the parties' two competing proposals, directed the parties to develop additional prepared testimony "that describes an implementable MHP master-meter conversion program" as further discussed in the ruling, and called for recategorization of the rulemaking from quasi-legislative to ratesetting, and for limited evidentiary hearing on the program components and ratemaking consequences. In Resolution ALJ-295, dated September 9, 2013, the Commission changed the category of this rulemaking to ratesetting and changed the preliminary determination from no hearing needed to hearing needed.

Parties served additional prepared testimony on August 19, 2013 (opening) and on August 30, 2013 (rebuttal). The ALJ presided over two days of evidentiary hearings on September 9 and 10, 2013. Thereafter, the parties filed briefs on the revised schedule adopted at the close of hearings, October 8, 2013 (opening) and October 18, 2013 (reply). Though submission for decision was scheduled to occur concurrently with the filing of reply briefs, because Joint Parties filed a motion to strike part of WMA's opening brief on October 16, 2013, the rulemaking effectively remained open until WMA filed its reply on October 30, 2013. The ALJ reopened the record to require the parties to file on January 10, 2014, an updated exhibit consolidating Table 4-1 of Exhibit 1 (the joint cost study) with changes made at hearing. Subsequently, the ALJ reopened the record again to require the five largest utilities to each file on January 24, 2014, an additional exhibit to compare, using a common format, the likely impact on the average residential bill of a three-year pilot program to convert, respectively, 3%, 5%, and 10% of the MHP spaces in each utility's service territory. This proceeding was submitted for decision concurrently with those

filings on January 24, 2014. The ALJ reopened the record thereafter to request that SWGas revise its exhibit, which SWGas did on January 31, 2014.

4. Discussion

We begin by describing the subset of California master-metered MHPs that are the focus of this rulemaking and then summarize the two proposals the parties have advanced for conversions from master-metered to direct utility service.

4.1. Master-Metered MHPs at Issue

The MHPs at issue in this rulemaking receive master-metered natural gas or electric service, or both, from Commission-regulated utilities; we lack regulatory authority over the municipal or public agency utilities that provide these services to other MHPs. A definitive count of the MHPs at issue, or the number of spaces at them, has continued to be elusive. [8] The most comprehensive data in the record is the following, drawn from Exhibit 15.

[8] As the OIR explains:

> No single [MHP] database exists ….both the Commission and HCD conduct inspections within their respective spheres of authority and maintain databases based on those inspections (CPSD's data include MHPs served by municipal utilities). Likewise, the utilities maintain records of master-meter accounts, but a given MHP may have more than one master-meter account and may be served by more than one utility, if it submeters both electricity and natural gas. Further, a MHP that was developed over a period of time may have more than one service arrangement, including multiple submeter systems as well as an area with direct utility service. (OIR 11-02-018 at 10.)

MHPs/MHP Spaces by Utility Service Territory

	SCE	PG&E	SoCalGas	SDG&E	SWGas	PacifiCorp	Liberty Utilities	BVES
Number of MHPs/MHCs -Electric Only	1,308	540		259		14	17	7
Number of MHPs/MHCs -Gas Only		213	1,425	114	57			
Number of MHPs/MHCs -Both Electric and Gas		630		321				
Total Number of MHPs/ MHCs	1,308	1,383	1,425	694	57	14	17	7
Total Number of Spaces	106,768	105,318	129,231	34,597	3,308	507	633	608

(Adapted from Exhibit 15 at 3, as corrected by SDG&E's Opening Comments at 10.)

Though this data underlies the conversion cost estimates in the record, the Exhibit 15 report itself recognizes that at least some of these MHP counts are flawed. Duplication attributable to the "overlap" in service territories is one reason. For example, Exhibit 15 states: "SCE provides electric service to a majority of the MHPs ….to which SoCalGas provides gas service." (Exhibit 15 at 2.) Likewise, Exhibit 15 states: "It is possible that SoCalGas provides gas service to a few MHPs … to which SDG&E provides electric service." (*Id*. at 2-3.) In prepared testimony, SWGas indicates that though "a single commodity utility … it does not have any 'gas only'" MHPs; rather, the MHPs it serves obtain electricity from other Commission-regulated utilities. (Exhibit 19, Chapter 2 at 3.) The utilities determined that they could not remove duplication attributable to service territory overlap from their respective databases without a Commission order authorizing them to share certain confidential customer information. Given the attendant resource impacts

(time and expense), and the relatively limited use of a combined database going forward, the effort to combine the utility databases was not advanced.

Another potential source of double counting exists where a single MHP has multiple master-meter accounts that are not fully aggregated to eliminate that form of duplication. It is unclear if Exhibit 15 accomplishes this task completely. It is not always a simple one and footnote 8 quotes the OIR's discussion of some of the difficulties.

Several other record sources underscore that the Exhibit 15 count of MHPs and MHP spaces is an approximation, at best. For example, WMA's Exhibit 21 reports that HCD data from October 2012 lists 4,644 MHPs, with 364,849 homes, throughout the state of California; most of them are master-metered, according to WMA.[9] Conceptually, since at least some of these MHPs are located within the service territories of municipal utilities, the number located within the service territories of Commission-regulated utilities must be fewer than 4,644. Yet, totaling the MHP data, above, for the eight Commission-regulated utilities yields 4,905 MHPs, 261 more than those on HCD's list.[10]

[9] According to Exhibit 21, WMA represents 1,659 communities (about 36% of the total listed on the HCD website) consisting of 184,401 homes (about 51% of the total homes). The record does not clearly establish how many of WMA's members receive master-meter service from Commission-regulated utilities.

[10] SED used an address recognition algorithm in an effort to eliminate duplication from MHP records for the five largest Commission-regulated utilities but this effort also experienced limitations. SED's results, summarized in Attachment A to the assigned Commissioner's second amended scoping memo, indicate that those five utilities serve, or jointly serve, 2,614 master-metered MHPs in California. But SED initially compared utility records with its own gas database in an effort to identify dual utility systems and its effort produced a large number of unmatched records.

We observe that because the three smallest utilities provide electricity, only, to the MHP master-meter customers they serve, and given the smaller overall size of their service territories, the count for them may be more accurate. Again, however, it is unclear whether any/all multiple master-meter accounts at a single MHP have been consolidated.

In summary then, for all of the reasons discussed above, the record does not provide a definitive count of the number of MHPs potentially eligible for conversion. Similarly, for reasons we examine next, it does not provide a definitive assessment of all aspects of safety, reliability and capacity at those master-metered MHPs.

No party argues that MHP master-meter/submeter distribution systems, as a group, are so unsafe or unreliable that they pose an imminent danger.[11] Yet all parties recognize that various kinds of problems are not uncommon, given the aging infrastructure. The OIR, issued in early 2011, states:

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[11] We grant, in substantial part, Joint Parties' October 16, 2013 motion to strike Attachment 1 to WMA's opening brief, filed October 8, 2013. That attachment consists of three newspaper articles which report outages during September 2013 for a little more than one week at two MHPs, one in San Marcos (San Marcos View Estates) and one in San Jose (Oak Crest Estates), when natural gas was shut off following discovery of gas leaks at those MHPs. Rule 13.9 of the Commission's Rules of Practice and Procedure permits official notice of matters that may judicially noticed in the courts of the State of California pursuant to Evidence Code § 450 *et seq*. As pertinent here, under Evidence Code § 452 (h) the courts and consequently, the Commission, may recognize "[f]acts … that are not reasonably subject to dispute and are capable of immediate and accurate determination by resort to sources of reasonably indisputable accuracy."

By law, SED must be apprised of MHP gas leaks that meet a reportable criterion. Accordingly, we take official notice that SED in its advisory capacity has confirmed that its records show that gas leaks at each of these MHPs in September 2013 caused the serving utility to shut down the respective master-meter/submeter gas systems. We disregard other information, unverifiable without additional process, as to cause, duration or consequence.

> Given the statutory prohibition on new MHP submeter systems beginning in 1997, we know that the majority of existing systems are at least 14 years old. According to various parties to this petition docket, most MHP submeter systems were built a decade or more before that and now are 30 to 40 years old, with perhaps a few as much as 70 years old. WMA states that many MHP submeter systems have been fully depreciated, are reaching the end of useful life, and consequently may have little salvage value. (OIR 11-02-018 at 10-11.)

Information about the actual condition of individual systems is much less concrete, however. For one thing, detailed data on the condition of electric submeter systems in MHPs does not exist, while data (and records) for gas submeter systems for periods before SED assumed safety jurisdiction is quite limited in many instances. Both SED and HCD perform inspections under their statutory authority and may cite a master-meter owner or operator for lack of compliance with applicable statues and regulations. Where violations exist and conditions warrant, they may order that gas or electricity be turned off until repairs are made. As the OIR recognizes, however:

> Inspections provide some information but are imperfect, since very often, little is visible--MHP natural gas systems typically run underground and some or all of electrical systems may also. Moreover, at some MHPs, particularly those where ownership has changed over time, the original construction records may no longer be available. (OIR 11-02-018 at 10.)

Further, given the construction of MHP distribution facilities over past decades and for private, submeter purposes, some systems may lack documentation (installation records, as-built drawings, maintenance records, etc.), may be operating on a "grandfathered" basis less stringent that current safety codes, may be incompatible with current utility standards and moreover,

may be incapable of delivering power at the levels that contemporary appliances, electronics and vehicles require.

In text and photographs, Exhibit 25, SCE's PowerPoint on electric standards, and Exhibit 26, a PowerPoint by SDG&E/SoCalGas on gas standards, illustrate some of the potential problems. The utilities developed these PowerPoints for the June 14, 2011 standards workshop to support their contentions that existing MHP distribution infrastructure typically fails to meet utility requirements and thus, cannot be incorporated in transfer or conversions from master-meter service to direct utility service.[12] At hearing, PG&E offered Exhibit 25 and Exhibit 26 as cross-examination exhibits. Notably, Exhibit 25 lists SCE's findings about MHP submeter distribution equipment in the following summary fashion:

SCE's MHP Equipment Findings

- Assets are approaching or are beyond their used and useful life
- General Orders 95 and 128 & NEC Infractions
  - Depth of cable/conduit. Transformer/meter clearances and locations
- Systems are unable to serve the existing or new customary loads
- Constructed in rear property lines
  - Inaccessible
- Unique Equipment
  - Incompatible

(Exhibit 25 at 5.)

[12] The utilities' point is that the low number of transfers since 1997 is attributable to the typically poor quality of submeter infrastructure at the time of a proposed transfer, which means that under the statutory framework, the MHP owner rarely receives compensation for the existing submeter system and more often, must pay to replace it with a new distribution system designed and built to utility specifications. WMA protests that the latter situation results in a gift to the utility, at greater cost to the MHP owner than simply rebuilding the master-meter/submeter system.

In Exhibit 26, SDG&E/SoCalGas preface nine pages of photographs of various kinds of problems with this caveat:

> The following slides, although not a general statement or indicative of the overall condition of mobilehome park owned facilities in the SDG&E or SoCalGas territories, represent examples of privately operated gas systems encountered over the years. (Exhibit 26 at 9.)

The final seven pages of Exhibit 26 consist of photographs and a diagram (entitled "Here Is What We Found Below Ground") for a MHP transfer that did occur. Though the details are not reported, Exhibit 26 indicates that the transfer was Commission-ordered over utility opposition, based on assessment that the "system was able to safely deliver gas and therefore met the MINIMUM transfer requirements" though no "visual substructure evidence was submitted during the determination." (Exhibit 26 at 19, emphasis in original.) The related photographs are labeled to identify various problems, including insufficient separation between conduits for gas, electricity and water.

At the time the Commission opened this rulemaking, it recognized that better data on the condition of MHP submeter systems would be useful. The difficulty is how to gather that data given the attendant resource consequences, particularly time and cost. After considering parties' proposals, the assigned Commissioner called for creation of a working group tasked to identify:

> [T]he questions necessary to develop essential, basic information about the size and condition of MHPs identified (e.g., number of spaces, age, the electric and/or gas load and corresponding operational metrics [effective amperage, gas pressures, etc.], information about maintenance, repairs, replacement, and emergency response activities over time). (Scoping Memo at 4.)

As a relatively low-cost approach to this directive, the parties produced a 20-question survey and a cover letter, which identified the sponsors as the

Commission, each of the participating utilities, GSMOL, TURN and WMA. Each utility mailed or otherwise provided the package to its MHP master-meter accounts. Completed surveys were mailed to the ALJ, who oversaw the creation of a database for recording the answers to individual questions and preparation of a report to summarize them. The report, attached to the ALJ's ruling of August 10, 2011, is interesting for many reasons – but it may not provide a statistically valid data sample. Based on the return of 680 completed, but unsworn, surveys out of the 3,000 to 4,000 survey packages distributed to the utilities' master-meter accounts,[13] the report does provide additional, perhaps anecdotal, information about the age and condition of the relevant subset of MHP submeter systems.[14] This information tends to corroborate representations made by one or more parties, or provided by HCD or SED in their workshop presentations.

We note three examples in the survey results. One, the results show spikes in MHP construction in California in approximately 1950 and 1960, which corroborate other anecdote about aging infrastructure. Two, electrical amperage

[13] At the August 19, 2011 PHC, the ALJ reported that the Commission's mail room staff "advised that the usual response rate for a direct mail survey is somewhere between 2 and 25%, depending upon a number of factors, including if there is a self—addressed, stamped envelope …" or some kind of incentive to stimulate response, like a prize. (Tr. PHC-3, 110:22-28.)

[14] The ALJ's ruling explains that data from 20 completed surveys was omitted because the responding entities were not MHPs but rather apartment complexes or R.V. parks. Clear duplicates also were removed, as were two responses that consisted solely of the final page of the survey without any other identifying information. The August 19, 2011 transcript memorializes the PHC discussion about other defects in the survey responses (not every question answered, internally inconsistent answers, data suggesting the responder supplied the year of construction rather than the number of spaces at the MHP, etc.).

lower than 100 amplifiers (amps) appears to be quite common (a number of MHPs appear to provide 30 amps or 50 amps) though for MHPs with master-metered natural gas, pressure generally appears to be adequate. Three, as WMA has repeatedly contended in the course of this rulemaking, the results indicate that many MHP owners indeed do "want to get out of the utility business," but not all do.

4.2. Party Proposals

The parties ultimately have advanced two main proposals to incentivize voluntary master-meter conversions at MHPs. To minimize confusion in the record, we follow the parties' naming conventions in referring to the two proposals. The "Joint Parties proposal" is for a "to the meter" program sponsored by SCE, SDG&E, SoCalGas, BVES, PacifiCorp, Liberty Utilities, TURN, and in part, by ORA. The "PG&E proposal" is for a program that includes construction both "to the meter" and "beyond the meter;" it is sponsored by PG&E, SWGas, GSMOL, WMA, CUE and SLRH.

We briefly describe each of these main proposals, as initially outlined in the 2012 prepared testimony and subsequently revised in the 2013 prepared testimony developed in response to the assigned Commissioner's second amended scoping memo. Apart from administrative differences (such as, whether the application period should be fixed or rolling and what kind of reporting should be required), the primary differences between the proposals is whether the conversion program should only include construction "to the meter" or also should include the "beyond the meter" construction or retrofit necessary for a new distribution system to function. A related difference is the accounting treatment for each that underlies the illustrative rate impact and average monthly bill estimates in the record. On behalf of the Joint Parties,

SDG&E and SoCalGas have capitalized most "to the meter" construction expenses but have expensed "beyond the meter" construction. PG&E and SWGas, under the PG&E proposal, have capitalized both.

Understanding the terms "to the meter" and "beyond the meter" is essential. PG&E provides a useful and concise summary that links the infrastructure with ownership.

> To-the-meter utility facilities include all infrastructure and substructures necessary to complete the distribution and service line extensions up to and including the individual meter, and will be owned and operated by the certificated utility. Beyond-the-meter utility facilities include all infrastructure and substructures necessary to complete the extension of facilities from the electric meter pedestal or gas riser to the point of connection on the mobilehome, and will be owned and maintained by the MHP owner. (PG&E Supplemental Opening Brief, fn 3.)

Exhibit 1, the Joint Cost Report produced by the utility parties and WMA, identifies the construction work and component parts associated with conversion of a MHP master-meter/submeter system to direct utility service.

- The "To the Meter" costs include the installation of new gas and electric systems along with the associated civil/trenching, excavation, substructure work, installation of ducts and gas pipes and site restoration work (paving, hardscape, and landscape)
- The "Beyond the Meter" costs include the installation of customer-owned meter pedestals and/or gas piping, junction pedestals, conductor, civil/trenching, excavation and substructures, and wiring and/or gas piping to the point of service connection in the rear of each home (Exhibit 1 at 4.)

Joint Parties' Exhibit 17, which focuses on the "service delivery point" that both separates and bridges "to the meter" and "beyond the meter" concepts, provides additional useful detail.

> Service Delivery Point refers to where the utility's Service Facilities are connected to either Applicant's [the coach's/manufactured home's] electric conductors or other service termination facility designated and approved by the utility or where the utility's gas Service Lateral is connect to the Applicant's pipe (house line), normally adjacent to the location of the meter(s). (Exhibit 17 at 3, fn 17.)

As we discuss in greater detail below, under the Joint Parties' proposal, utility ratepayers would finance "to the meter" construction and MHP owners would remain responsible for financing "beyond the meter" construction. Under the PG&E proposal, the ratepayer-financed conversion program would cover construction on both sides of the meter. Under both proposals, utility ownership would be the same, limited to the "to the meter" portion of the new infrastructure. The utilities uniformly anticipate that in almost all circumstances an entirely new distribution system (both "to the meter" and "beyond the meter" portions) would need to be built in parallel to the existing master-meter/submeter system. Upon the commencement of direct utility service, the old master-meter/submeter system would be abandoned and the MHP master-meter discount would cease.

The utility cost estimates for both "to the meter" and "beyond the meter" conversions are based upon the Exhibit 1 common case study, which the assigned Commissioner's amended scoping memo directed the parties to design and develop. A party to this rulemaking, SLRH, provided the study subject. SLRH is an urban, 328 space, resident-owned MHP. Because SLRH had applied to SDG&E for a transfer of service under §§ 2791-2799, much of the information needed to cost a potential conversion was reasonably available. To the extent possible, the utilities used common assumptions about the MHP and the potential conversion program, which they list in Exhibit 1. The utilities'

individual cost estimates are summarized in late-filed Exhibit 40, which we attach to today's decision as Appendix B. This exhibit updates Exhibit 1, Table 4-1 entitled "Common Case Cost Estimate – All Utilities," to show on a single page all corrections made at hearing.

The individual cost estimates vary considerably, from "to the meter" estimates at the low end of $1,158 per space (a gas only estimate, from SWGas) and at the high end of $17,217 per space (a gas and electric estimate, from SDG&E). The range for the separate, "beyond the meter" estimates also varies considerably, from a low of $889 per space (gas only, SWGas) to a high of $11,313 per space (also gas and electric, SDG&E). The estimates all include a contingency factor of 14-25% to account for unknowns.

A number of factors account for the range in these estimates but a major one appears to be whether trenching is a standard part of the utility's construction practices. Thus, as Appendix B shows, SCE's conversion cost/space estimates for electric-only conversions are quite similar to PG&E's conversion cost/space estimates for joint-gas and electric conversions. It is noteworthy that SWGas, which reportedly has considerable experience converting master-meter systems in Nevada, offers the lowest-cost estimates in the record.

The utilities all use the same basic approach to extrapolate the cost of a MHP conversion program in their service territories from the conversion cost/space developed in the SLRH cost study. (Appendix B.) The utilities each use their own estimated conversion cost/space and multiply that sum by the number of spaces to be converted over a specified period. The utilities all rely upon the Exhibit 15 effort to quantify, on a service territory basis, the number of MHPs potentially eligible for conversion and the number of spaces within each

MHP. As discussed above, for a variety of reasons the Exhibit 15 MHP count is somewhat overstated.

4.2.1. Joint Parties Proposal

The Joint Parties' initial approach contemplated a five-year pilot program. As described initially in Exhibit 2, the Joint Parties put forward a proposal for conversion, on a "to the meter" basis over five years, of a maximum of 10% of MHP spaces in the service territories of each of the larger utilities. They proposed offering each MHP a conversion credit toward the cost of "to the meter" construction. Similar in concept to a line extension allowance, the conversion credit proposed was $4,000 per space for natural gas service and $4,000 per space for electric service, for a total of $8,000 per space for both services. For each small or multi-jurisdictional electric utility, the Joint Parties proposed somewhat different terms. They would allow conversion of 10% of the MHP spaces or conversion of a single, entire MHP, as long as the number of spaces there constituted at least 10% of the MHP spaces within the service territory. Because estimated construction costs for these utilities tend to be somewhat lower, as set out in Exhibit 1, Joint Parties proposed a smaller conversion credit of $2,000 per space per service.

Joint Parties' modified their initial proposal in response to the assigned Commissioner's second amended scoping memo, which states:

> It appears doubtful to me whether the Joint Parties' proposal provides enough incentive to increase prior, low conversion rates in any significant way … [t]he credit structure would not cover the cost of conversion "to the meter" and it would leave necessary retrofits "beyond the meter" completely unfunded." (Second Amended Scoping Memo at 3.)

The second amended scoping memo proposed a three-year pilot, directed all parties to consider other generic adjustments and required a showing of

estimated rate impacts, both "to the meter" and "beyond the meter." As set out in Exhibits 17 and 18, the Joint Parties (with the exception of ORA) now propose utility ratepayer financing of all "to the meter" costs. ORA proposes that ratepayers and MHP owners share "to the meter" construction costs on a 50/50 basis, which actually would reduce the ratepayer portion below the credit in Joint Parties' initial proposal. (ORA argues that the low MHP transfer rates under the statutory program are not attributable to the cost of conversions but rather indicate a need for outreach to educate MHP owners.)

Joint Parties' revised proposal reduces participation rates over the three-year pilot to 2% of total MHP spaces for both SDG&E and SoCalGas (approximately 2,600 spaces and 676 spaces, respectively) and to approximately 3% of spaces for SCE (3,000 spaces). Again, because PacifiCorp, BVES and Liberty Utilities have fewer MHPs in their service territories, "the number of spaces per MHP far exceeds two percent of the total MHP space in the service territory." (Exhibit 17 at 9.) Under the Joint Parties proposal, these utilities each would convert one MHP; for PacifiCorp, that would mean up to 99 spaces; for Liberty Utilities, up to 247 spaces; and for BVES, about 75 spaces.

Joint Parties continue to oppose ratepayer funding of any portion of the construction or retrofit necessary "beyond the meter." Therefore, because Joint Parties recognize that "beyond the meter" work must be done at almost all MHPs, their proposal requires the MHP owner to establish financial ability to undertake that work before the commencement of any "to the meter" construction. Joint Parties propose that each utility "recover in gas or electric rates, each year, the forecasted revenue requirement for that year, plus any over- or under- collections recorded in the applicable MHP gas or electric balancing account from the previous year…" (Exhibit 17 at 22.) The forecasts

would include "one-time and ongoing operations and maintenance and capital-related costs that are associated with implementation of the MHP conversions …" (*Id.*) During the three-year pilot period, the costs of the MHP conversion program would be incremental to the revenue requirement authorized in the utilities' current GRC. Joint Parties propose that a two-way balancing account be established and that any over or under-collected balance be refunded to ratepayers or recovered from them, following true up of forecasted and actual expenditures. Recovery under the balancing account process would be subject to reasonableness review.

At the conclusion of the three-year pilot, the Joint Parties would prepare a detailed review and assessment for the Commission's consideration. Thereafter, the Commission would determine whether or not to continue the MHP conversion program and on what basis. If the conversion program continued, cost forecasting would be moved into a utility's GRC and program costs would be authorized as part of the general revenue requirement.

Exhibit 17, Appendix B estimates the monthly rate impact, at current rates, a three-year pilot program would have on the average bills for SDG&E and SoCalGas ratepayers who pay distribution charges. For illustrative purposes, these estimates project rate impacts for years 2015, 2016 and 2017, based on the capped participation limits Joint Parties' propose for the pilot (2% of total MHP spaces for SDG&E and SoCalGas, 3% for SCE). Consistent with direction in the second amended scoping memo, the calculations show impacts not only for "to the meter" conversion (which is Joint Parties proposal) but also for a combined "to the meter" and "beyond the meter" conversion.

For electric conversions, Exhibit 17 projects increases in SDG&E's average residential rate from 0.02% to 0.05% for work "to the meter" and increases from

0.05% to 0.12% if work includes "beyond the meter" construction.[15] For gas conversions, Exhibit 17 projects increases in SDG&E's average, monthly residential bill of 0.03% to 0.08% "to the meter" and increases from 0.08% to 0.36% "beyond the meter." For SoCalGas, Exhibit 17 projects increases in the average, monthly residential bill of 0.01% to 0.08% "to the meter" and increases from 0.08% to 0.19% "beyond the meter."

In response to the ALJ's post-hearing request, SCE and jointly, SDG&E and SoCalGas, prepared late-filed Exhibits 42 and 44, respectively, which estimate the impact, at current rates, on the average residential customer's monthly bill during 2015, 2016 and 2017, based on converting 3%, 5% or 10% of the MHP spaces within each utility's service territory, both on a "to the meter" basis and on a "beyond the meter" basis.

SCE's Exhibit 42 projects two scenarios. One, which we include below (though in a slightly different format), illustrates the potential impact on the current average residential rate for bundled service (17.455 ¢/kilowatt hour (kWh), average consumption of 568 kWh and an average monthly bill of $99.18); the other illustrates the impact on the average rate for direct access customers (11.552 ¢/kWh, average consumption of 655 kWh and an average monthly bill of $75.63).[16] SCE's calculations also project the different bill impacts attributable to expensing "beyond the meter" costs versus capitalizing them.

[15] Because Joint Parties calculations expense all "beyond the meter" work, the estimated impact is highest in 2016 of their example and lowest in year 2017.

[16] SCE allocates the MHP conversion program revenue requirement across rate groups in proportion to their distribution revenues.

SCE: Average Residential Customer Impacts (Bundled Service) Impact on Rate and Average Monthly Bill				
Year		**3 % conversion**	**5 % conversion**	**10 % conversion**
2015	To the meter only	17.459 ¢/kWh +0.02%	17.462 ¢/kWh +0.04%	17.469 ¢/kWh +0.08%
	To the meter + expensed beyond the meter	17.483 ¢/kWh +0.16%	17.502 ¢/kWh +0.27%	17.548 ¢/kWh +0.53%
	To the meter + capitalized beyond the meter	17.462 ¢/kWh +0.04%	17.466 ¢/kWh +0.06%	17.477 ¢/kWh +0.12%
2016	To the meter only	17.465 ¢/kWh +0.03%	17.472 ¢/kWh +0.06%	17.489 ¢/kWh +0.12%
	To the meter + expensed beyond the meter	17.489 ¢/kWh +0.03%	17.512 ¢/kWh +0.06%	17.569 ¢/kWh +0.12%
	To the meter + capitalized beyond the meter	17.471 ¢/kWh +0.06%	17.482 ¢/kWh +0.09%	17.509 ¢/kWh +0.18%
2017	To the meter only	17.467 ¢/kWh +0.01%	17.475 ¢/kWh +0.02%	17.495 ¢/kWh +0.03%
	To the meter + expensed beyond the meter	17.467 ¢/kWh -0.13%	17.475 ¢/kWh -0.21%	17.495 ¢/kWh -0.42%
	To the meter + capitalized beyond the meter	17.474 ¢/kWh +0.02%	17.487 ¢/kWh +0.03%	17.518 ¢/kWh +0.05%

(Adapted from Exhibit 42 at 1.)

The Exhibit 44 projections for SDG&E and SoCalGas appear to track the bill impact calculations in Exhibit 17, adjusting them for the greater number of MHP space conversions (3%, 5% and 10% of service territory spaces), rather than the 2% level that these utilities recommend. The SDG&E and SoCalGas calculations continue to expense "beyond the meter" construction and unlike SCE, do not include calculations that illustrate the impact of capitalizing these costs instead.

4.2.2. PG&E Proposal

Exhibit 3 contains the initial PG&E proposal, with additional prepared rebuttal testimony in Exhibits 4-7 from PG&E, SWGas, WMA and SLRH, respectively. The ten-year "beyond the meter" conversion program described in these exhibits would apply to every MHP that voluntarily sought direct service from a Commission-jurisdictional utility in lieu of continuing to operate as the utility's master-meter customer.

Under this initial proposal, PG&E anticipated converting, on a combined "to-the-meter" and "beyond-the-meter" basis, approximately one-tenth of the MHPs in its service territory per year in each year of the ten-year program. PG&E's calculations rely upon an estimate of approximately 1,400 MHPs in its service territory (rounded up from Exhibit 15's estimate of 1,383 MHPs). The program costs would be recovered from utility ratepayers who pay for distribution services, at an estimated total cost of approximately $2.5 billion, if all MHPs were converted.

As initially designed (and subsequently modified), SWGas' version of the PG&E proposal varies only slightly from PG&E's version and suggests, for example, rate recovery by means of a surcharge. SWGas bases its rate projections on the 56 MHP customers within its service territory (a reduction by one of Exhibit 15's estimate of 57 MHPs).

As Exhibits 19-21 describe, the sponsoring parties nominally revised the PG&E proposal in response to the second amended scoping memo's call for a three-year pilot, given the uncertain costs of conversion and attendant ratepayer impact. As the sponsoring parties now envisage a three-year pilot, MHPs could apply for service conversion at any time throughout the three-year term, or alternatively at established intervals during the three years; no cap would be

imposed on the number of applications that could be approved; and as long as an application was accepted before the end of the third year, construction could occur thereafter. Thus, the pilot effectively would prescribe the application period, not the construction completion period. SWGas explains its concerns about limiting applications to an initial phase in the three-year period in this way:

> This limitation might present an inaccurate picture of the interest level among MHP owners. It could also result in abrupt stop and restart of the program (if the Commission elects to extend it beyond 3 years), which could impact construction resources and increase construction-related costs. (Exhibit 19, Chapter 2 at 2.)

While the pilot under the PG&E proposal would not have a hard close at the end of three years, the sponsoring parties support annual status reports throughout the duration of the pilot in order to permit the Commission and interested parties to "conduct ongoing, periodic reviews…and analyze the efficacy of the MHP conversion program." (Exhibit 19 at 1-6.)

Under the PG&E proposal, a utility would coordinate the concurrent construction effort and essentially would serve to pass-through funds for "beyond the meter" work, but licensed contractors/plumbers/electricians would do all work "beyond the meter." The utility would not take title or otherwise own the "beyond the meter" system and permitting, inspection and approval of the new infrastructure would be done by the authorities with jurisdiction to do so.

Ratemaking processes under the PG&E proposal would be quite similar to Joint Parties' proposal, with forecast and actual costs recorded in a two-way balancing account during the pendency of the three-year pilot. PG&E proposes using its Annual Electric True-Up (AET) and Annual Gas True-Up (AGT). The PG&E proposal would exempt the two-way balancing accounts from reasonableness review. A utility's ongoing operation and maintenance costs

(those costs associated with the utility-owned portion of the new MHP distribution system, once operable) would be authorized as part of the forecasted revenue requirement in the first GRC following the MHP's conversion.

Since the PG&E proposal continues to be based upon a combined "to the meter" and "beyond the meter" conversion without a hard close at the end of the third year, the PG&E and SWGas revenue requirement and rate impact forecasts for the pilot rely on the ten-year estimated cost of converting all potentially eligible MHPs. PG&E calculates "the 3-year initial term revenue requirements assuming a 10-year program and even annual conversion of MHP spaces." (Exhibit 19 at 1-4, fn 8.)

To illustrate the estimated rate impact of its conversion proposal, PG&E first forecasts the revenue requirement for 2014, 2015 and 2016 associated with gas conversions and with electric conversions, separately projecting the costs of "to the meter" and "beyond the meter" components (Table 1 of Exhibit 19). Unlike Joint Parties proposal, the PG&E proposal capitalizes "beyond the meter" construction costs. Then, PG&E estimates the impact on the average monthly bill for 2014: for electric conversions, an increase of 0.06% for work "to the meter" and an increase of an additional 0.02% beyond the meter; for gas conversions, an increase of 0.18% for work "to the meter" and an increase of an additional 0.11% beyond the meter. PG&E does not include bill impact projections for subsequent years, but states: "[E]xtending the length of any MHP conversion program, coupled with annual participation limits, may serve to moderate the annual impact on customer rates." (Exhibit 19 at 1-5.)

In Exhibit 33 (an update of a table in Exhibit 3), SWGas approaches the quantification of rate impact a little differently than PG&E and provides a very useful picture of the changing impact the PG&E proposal has on SWGas' rates,

depending upon the time period allocated for the conversion. SWGas includes calculations that estimate the cost of converting *all* MHP spaces in its service territory over one year, two years, three years, four years, five years and ten years. It also shows the potential cost impact of the MHP conversion program on the average bill for its residential customers in three different rate areas: Southern California, Northern California and South Lake Tahoe. These estimates differentiate costs not only on a "to the meter" or a "beyond the meter" basis, but also add a third component, "meter shed," which SWGas recommends should be included in any comprehensive conversion program. As SWGas explains, it "has approximately 15 MHPs in heavy snow fall areas within its California service territory" and that "[w]hen customers within these areas relocate their meters [SWGas] requires the installation of a snow shed to protect the meter." (Exhibit 3 at 5-5 and 5-9.) Under a three-year program that converted *all* of the MHP spaces in its service territory, SWGas estimates that the average monthly bill impact on its residential customers in Southern California would be $0.19 in year one, $0.38 in year two and $0.57 in year three of a three-year pilot.

In response to the ALJ's post-hearing request for additional bill impact estimates based on MHP space conversion levels of 3%, 5% or 10% within each utility's service territory, PG&E prepared Exhibit 41 and SWGas, Exhibit 43. PG&E's calculations provide the following additional detail on the likely rate impacts of its proposal on current average residential electric rates (17.455 ¢/kWh, average consumption 550 kWh, average monthly bill $93.98) and current average residential gas rates (1.2480 $/therm, average consumption 37 therms, average monthly bill $46.18).

PG&E: Average Residential Customer Impacts – Electric/Gas Impact on Rate and Average Monthly Bill				
Year		**3 % conversion**	**5 % conversion**	**10 % conversion**
2015	To the meter only	17.458 ¢/kWh +0.01% 1.2484 $/therm +0.03%	17.459 ¢/kWh +0.02% 1.2485 $/therm +0.04%	17.462 ¢/kWh +0.03% 1.2489 $/therm +0.07%
	To the meter + capitalized beyond the meter	17.458 ¢/kWh +0.01% 1.2485 $/therm +0.04%	17.460 ¢/kWh +0.02% 1.2487 $/therm +0.06%	17.463 ¢/kWh +0.04% 1.2492 $/therm +0.09%
2016	To the meter only	17.460 ¢/kWh +0.02% 1.2486 $/therm +0.05%	17.463 ¢/kWh +0.03% 1.2489 $/therm +0.07%	17.469 ¢/kWh +0.06% 1.2495 $/therm +0.12%
	To the meter + capitalized beyond the meter	17.462 ¢/kWh +0.03% 1.2489 $/therm +0.07%	17.465 ¢/kWh +0.05% 1.2494 $/therm +0.11%	17.475 ¢/kWh +0.09% 1.2505 $/therm +0.20%
2017	To the meter only	17.462 ¢/kWh +0.03% 1.2489 $/therm +0.07%	17.466 ¢/kWh +0.05% 1.2493 $/therm +0.10%	17.476 ¢/kWh +0.09% 1.2503 $/therm +0.19%
	To the meter + capitalized beyond the meter	17.465 ¢/kWh +0.05% 1.2494 $/therm +0.11%	17.471 ¢/kWh +0.07% 1.2501 $/therm +0.17%	17.486 ¢/kWh +0.14% 1.2520 $/therm +0.32%

(Adapted from Exhibit 41 at 2.)

SWGas' revised Exhibit 43 projects residential rate impacts and average residential bill impacts for customers in each of its three service territories. SWGas projects the following monthly rate impact at current natural gas rates on the average residential customer in its Southern California service territory (i.e., 1.20227 $/therm, average consumption 44 therms, average monthly bill $57.90), presuming conversion of 10% of the MHP spaces in its service territory under a three year pilot program on a combined "to the meter" and "beyond the meter" basis that included meter shed construction, with all construction capitalized: in 2015, 1.20269 $/therm; in 2016, 1.20311 $/therm; and in 2017, 1.20353 $/therm.

In its Northern California service territory (i.e., 1.40836 $/therm, average consumption 61 therms, average monthly bill $90.91), SWGas' monthly rate impact projections are: in 2015, 1.40878 $/therm; in 2016, 1.40920 $/therm; and in 2017, 1.40962 $/therm. In its South Lake Tahoe service territory (i.e., 1.02909 $/therm, average consumption 66 therms, average monthly bill $72.92), the monthly rate impact projections are: in 2015, 1.02951 $/therm; in 2016, 1.02993 $/therm; and in 2017, 1.03035 $/therm.

4.3. A Living Pilot

For more than a decade and a half, state policy has disfavored the continuation of master-meter/submeter systems, yet the majority of them continue to operate. We are persuaded this stalemate requires new strategies. We do not think the lack of actual disaster to date is a reason for further delay.

The OIR states: "We have no evidence that existing MHP submetered service, taken as a whole, poses an imminent and serious safety risk." (OIR 11-02-018 at 15.) Fortunately, that remains true. But as the OIR also states: "There may well be some MHP submeter systems where age or other factors

raise the potential for safety problems that should be addressed before actual problems occur." (*Id.*)

Former Commissioner Ryan, the assigned Commissioner for the WMA petition that persuaded the Commission to open this rulemaking, recognized not only the safety imperative ("the bedrock responsibility of the PUC is consumer protection" [*Id.*, citing Petition 10-08-016, PHC transcript at 3]) but also the infrastructure implications of continued inaction:

> [W]e have these systems that were put in 30 or 40 years ago that … in many instances are ending their useful life. And I think we have an opportunity to rethink as we go into . . . the second generation of distribution systems in these settings, what's the framework in which we want to do it. (*Id.* at 16, citing Petition 10-08-016, PHC transcript at 19.)

Under § 739.5, residents of master-metered MHPs within the service territory of a Commission-regulated utility pay the same residential rates (on a cents/kWh or $/therm basis) as the utility's direct service customers. But the MHP residents do not receive the same benefits. In addition to potential safety and reliability concerns, these MHP residents, because they are not utility customers, are ineligible to participate in established public purpose and load management programs widely available to those who receive direct service, including for example, those developed to promote low-income energy efficiency, the California Solar Initiative and advanced metering infrastructure. Where submetered electric service is less than 100 amps, MHP residents may be unable to operate many modern appliances, including air conditioners and electric vehicle refueling would be impossible.

Moreover, the record shows that a pilot can be undertaken at a very small cost to distribution ratepayers. The utility projections of the residential rate impact in the years 2015-2017 show very minimal, monthly rate increases.

Simple subtraction shows that for electric rates, the projected rate increases (depending upon utility service territory and year) range from a low of 0.002 ¢/kilowatt hour (kWh) to a high 0.063 ¢/kWh. For natural gas rates, the projected rate increases (also depending upon utility service territory and year), range from the virtually nondetectible to a high of 0.0040 $/therm.

This rulemaking has proactively undertaken to examine the status quo in order to answer the OIR's opening question: "What can and should the Commission do to encourage MHPs to transfer to direct utility service?" Today's decision proposes a voluntary, implementable plan for a pilot MHP conversion program that balances the interests of all stakeholders.

4.3.1. Commission Jurisdiction

In their opening brief, the Joint Parties raise a number of legal objections to a "beyond the meter" MHP conversion program. They contend we may not authorize such a program because (1) neither the California Constitution nor the Public Utilities Code grants the Commission explicit authority to do so; (2) the Commission may not preempt the permit authority of local governments; (3) the Commission may not usurp federal authority over MHP gas systems; (4) the Commission may regulate only to the interconnection point; (5) utility tariffs prohibit discriminatory treatment of MHP customers; (6) the costs of a "beyond the meter" program could constitute an impermissible tax; (7) the current, statutory MHP transfer program is exclusive; and (8) under the principle of separation of powers, an administrative agency lacks authority to enact law, and that, in approving a "beyond the meter" program, the Commission would exceed its jurisdiction.

No other party finds any merit in these arguments, nor do we. While the Joint Parties' accurately describe the constitutional and statutory source of

Commission jurisdiction, they then characterize our jurisdiction thus: "The breadth of regulatory authority granted to the CPUC by the Legislature demonstrates a comprehensive but not omnipotent jurisdiction." (Joint Parties' opening brief at 5.) We must agree, but we cannot consequently conclude that it would be an omnipotent act to approve an MHP conversion program with a "beyond the meter" component.

Section 701 empowers the Commission to "do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient" in carrying out its regulatory authority. In the landmark *Consumers Lobby* decision, the California Supreme Court affirmed the Commission's attorney fees award to a prevailing party though no statute expressly provided for such awards, holding that the Commission's exercise of its broad authority "must be cognate and germane to the regulation of public utilities." (*Consumers Lobby Against Monopolies v PUC* (1979), 25 Cal 3d 891, 905-06.)

Joint Parties have not shown how an MHP conversion program that includes "beyond the meter" construction fails the *Consumers Lobby* test. Factually, as described under the PG&E proposal, such a program would be voluntary (MHP owners would have to apply), Commission-regulated utilities would not do the "beyond the meter" construction work, all plumbing and electrical work "beyond the meter" would be subject to the permitting and inspection requirements of the agencies that hold such authority now and utilities would acquire neither ownership of nor responsibility to maintain the new distribution infrastructure on the customer-side of the meter. There is no local or federal preemption. The meter would continue to be the demarcation point separating utility and customer. To the extent the Joint Parties mean to

argue that the Commission's regulatory actions must not affect the customer side of the meter in any way, both statute and precedent evidence the contrary. Examples, to name just a few, include: the existing, statutory MHP transfer program; various non-statutory California Solar Initiative programs, including the Net Energy Metering program that reaches distributed generation on the customer's premises; and the natural gas compression services for certain commercial customers offered under SoCalGas' new Compression Services Tariff, recently approved by Decision (D.) 12-12-037, as modified by D.13-10-042.

Likewise strained is the Joint Parties contention that a voluntary, "beyond the meter" MHP conversion program would represent unlawful, discriminatory treatment of MHP residents and violate utility tariffs. Section 532, which codifies the general principle that utilities may not charge customers different rates for the same services also provides that "[t]he commission may by rule or order establish such exceptions from the operation of this prohibition as it may consider just and reasonable as to each public utility." It is true, to the extent that MHP conversion costs are rolled into the distribution rate structure, not all ratepayers will receive a direct and proportional benefit, but this is the case with many utility programs, including for example, CARE and other public purpose programs, as well as energy efficiency programs. Furthermore, as discussed above, at the present time many submetered MHP customers are unable to participate in programs open to all other distribution ratepayers, yet they pay the same commodity rates. The Commission seeks to ensure safe and reliable service to all residential ratepayers in the service territories of

Commission-regulated utilities, including those who reside in MHPs.[17] The Commission may require changes in utility tariffs to implement reasonable regulatory programs and does so regularly. In this regard, the Commission may approve programs that alter application of utility line extension rules and has done so in the past, for example in connection with Rule 20 undergrounding proposals. (*See* D.82-01-018, 7. CPUC 2d 757.)

Particularly unpersuasive is the Joint Parties' contention that a "beyond the meter" program could constitute a tax under Proposition 26, which amended article XIIA of the California Constitution. Proposition 26, by its own terms, refers to "a change in state statute," and requires a vote of two-thirds of both houses of the Legislature before such statutory change may impose a higher tax on taxpayers. Utility tariffs are not state statutes.

The Joint Parties do not point to any language in the existing, statutory MHP transfer framework that would prohibit a voluntary, MHP conversion program with a "beyond the meter" component. Further, the OIR does not purport to modify statute and as the assigned Commissioner's second amended scoping memo clearly states, "[t]his rulemaking has not stayed any of the

[17] Ultimately, a related benefit of conversion from master-metered to direct utility service should be improved safety in MHP gas systems overall. Fewer remaining master-metered systems will permit better use of SED's inspection resources, pursuant to recently enacted Assembly Bill 1694. The bill amended § 4353 and § 4453 to establish a risk-based inspection cycle at master-metered MHPs, requiring inspection at least every seven years but more often, if necessary. This replaced mandatory inspection every five years. SED's analysis in support of that bill estimated that 7% of MHPs would need to be inspected more often than once every seven years. Joint Parties suggest this means that safety is problematic at only a small subset of MHPs, but that argument misinterprets the data and the record here.

programs that Commission-jurisdictional utilities have developed to implement" those programs. (Second Amended Scoping Memo at 2.)

Finally, in their reply brief, the Joint Parties add a new argument and contend that because utilities will not own the new customer-side infrastructure, "beyond the meter" construction costs must be expensed and cannot be capitalized. We disagree. "Beyond the meter" construction is necessary for the entire, new distribution system to function. The Joint Parties acknowledge this. Under their proposal, conversion would cease if the MHP owner was unable to establish financial wherewithal to undertake or complete construction "beyond the meter." This raises the potential for abandonment of partially constructed, replacement infrastructure, since without both halves of a new system in place, no change is possible. The PG&E proposal, however, has the utility serve as the pass-through for "beyond the meter" construction funds as provided in its conversion agreement with the MHP owner. This pass-through role is based on ratepayers' promise to repay the utility. The ratemaking obligation, more accurately, constitutes a regulatory asset, appropriate for recovery from ratepayers in rates over time.

For a MHP conversion program to be fair to the gas and electric utilities the Commission regulates, the utilities should fully recover the costs of the program, as discussed below. SWGas points out that for utilities "[t]he only incremental margin …from the conversions will be a somewhat greater basic service charge" since the master-meter discount, which will cease to be paid upon conversion, "cannot be treated as incremental revenue because the discount is intended to cover operational costs," which each utility will assume. (Exhibit 3 at 6-5.)

4.3.2. Pilot Program Components

We endorse neither the Joint Parties proposal nor the PG&E proposal as set forth by the sponsoring parties, but we draw elements from both of them to fashion a "living pilot" that will receive applications beginning on January 1, 2015. We agree with the assigned Commissioner that a three-year, initial term is prudent, given the uncertainties about the conditions at master-metered/submetered MHPs and the actual costs of converting them to direct utility service. And, we conclude the pilot must test the feasibility of conversion on a combined "to the meter" and "beyond the meter" basis. The record as a whole, including the very few, completed conversions during the past 17 years under the statutory transfer process, persuades us that limiting conversion "to the meter" will do little to reduce the number of MHP master-meter/submeter systems.

We find CUE's summarization compelling – the MHPs most likely to accept Joint Parties proposal are likely to be the most financially secure, best managed and safest. MHPs with troubled or constantly changing ownership histories are less likely to have the necessary resources to build new distribution infrastructure to utility specifications. Ironically, also handicapped in this regard may be those MHPs that actually have directed the revenues from the master-meter discount toward properly maintaining and repairing aging (and deteriorating) systems. GSMOL, a nonprofit formed in 1962 whose membership consists of some 30,000 MHP residents, warns that the alternative is that MHP owners will attempt to pass "beyond the meter" conversion costs on to MHP residents, many of them seniors or others on fixed incomes without the financial resources to finance the per space conversion costs.

Given these probable outcomes, we conclude "beyond-the-meter" construction is necessary for the new distribution systems to function and to provide MHP residents with utility service on par with that of other residential customers. Unless "beyond the meter" construction occurs, "to the meter" construction would be pointless and a waste of ratepayer resources.

We also conclude that converting approximately 10% of the spaces within each utility's service territory over the pilot's three-year, initial term is practicable and reasonable. On balance, the record persuades us that Joint Parties' proposed 2% and 3% participation limits are too low and, as SWGas contends, could detrimentally affect efficiency and cost-effective prioritization, particularly for dual-commodity conversions. At this time, neither can we endorse the 10% per year participation rate that PG&E effectively suggests – the cost uncertainties simply place too much risk on ratepayers.

Therefore, having established this cap on eligibility during the pilot, we address the different viewpoints regarding a fixed versus rolling application period as follows. An initial application period should be established, standard across all utility programs, of no more than 90 days; applications received after this period should not be rejected, however, but should be placed on a waiting list. The applications received in the initial application period must be prioritized and reviewed for other eligibility criteria, as discussed in greater detail below. Following this review, if the accepted applications amount to fewer than approximately 10% of the potentially eligible MHP spaces within the utility's service territory, one or more other applications on the waiting list should move forward, as determined by SED's priority assessment. Placement on the waiting list established during the pilot, however, will not assure eventual conversion – this point must be made clear to all MHP owners and residents

during the preliminary outreach effort and must be reiterated thereafter. If we determine to continue the conversion program, we indeed may authorize conversions of MHPs on the waiting list, establish an ongoing, rolling application period and authorize conversion of a greater number of MHP spaces per year.

To ensure the pilot can be flexibly extended to permit further, voluntary conversions, if warranted, we will require annual reporting, as described in greater detail below. Our intent is to obtain yearly status reports that will allow us to consider continuing the pilot before the end of the initial, three-year term (and also will enable us to consider making other adjustments, as necessary or appropriate).

The first priority of the pilot must be to maximize conversion of higher risk MHP master-meter/submeter systems that supply natural gas. In order to maximize efficiency and minimize costs overall, where possible conversion of entire parks should be encouraged as should joint trenching efforts that permit conversion of both natural gas and electric systems.

We recognize that this objective may be most readily achieved where a utility provides both services; this is the situation, in many but not all cases, for PG&E and SDG&E. We expect utilities that provide a single service, SCE, SoCalGas, SWGas, PacifiCorp, Liberty Utilities and BVES, to coordinate with the Commission-regulated providers to the MHPs they jointly serve, where that situation exists. If a municipal entity provides either gas or electricity, we expect Commission-regulated providers to consult with them before undertaking a master-meter/submeter conversion of either gas or electricity, alone. Likewise, we encourage consultation with water and telecommunications providers serving the MHP to see if additional joint trenching efficiencies can be achieved. Communication and coordination will be key.

We discuss prioritization further, below, along with additional program components. Drawn primarily from the comprehensive plan laid out in the PG&E proposal's Exhibit 3, these reasonable components should be incorporated in each utility's MHP conversion program to maximize uniformity of the MHP conversion process by standardizing program development and administration across utilities and utility service territories.

- Outreach and Education; Credit. Community outreach and education efforts are needed to provide timely information about the pilot to MHP owners, MHP residents, local agencies, etc. (*See* Exhibit 3.) We direct utilities to consult with SED as well as the Commission's Public Advisor's Office prior to finalizing their outreach and education plans and to engage in ongoing consultation during implementation, as SED and/or the Public Advisor may request.

  Existing MHP residents who become utility customers through the MHP conversion program should receive "grandfathered" status consistent with PG&E's plan to waive the initial new customer credit check and service deposit at the time of service cut over, and to track any associated service termination write-offs for five years thereafter. However, like any other residential customer, these MHP residents should be subject to shut-off provisions under existing utility tariffs. After cut over occurs, new residents of the MHP should be subject to all existing utility credit requirements, like any other new, residential customer.
  (*See* Exhibit 3.)

- Initial application. Utilities must use the revised version of the form developed by SED, which is Appendix C to today's decision. In conformance with party suggestions, the form has been revised to refer to "conversion" rather than "transfer." We have revised the MHP owner pledge to specify that it is simply a promise to use the master-meter discount for submeter operation and maintenance, in accordance with

existing law, until cut over to direct utility service.[18] The completed form must be submitted concurrently to SED and to the utility's MHP conversion program contact.

- Determination of preliminary eligibility. The pilot must focus primarily on safety and secondarily on system reliability/capacity. For systems that are gas only, or gas and electric, the utilities must consult with SED to prioritize conversions based on the risk assessment and prioritization factors developed by SED (e.g. presented at the March 4, 2013 workshop [*see* information posted at: http://www.cpuc.ca.gov/puc/energy/mhp.htm] and referenced in the second amended scoping memo]). For electric only systems, the utilities must consult with HCD or the county or city authorities with safety and reliability oversight for electric master-meter/submeter systems.

  During the pilot, concurrent gas and electric conversion should occur where possible, as discussed above. If the conversion program continues beyond three years, the PG&E proposal's emphasis on safety, reliability and capacity issues, in that order of importance, should be incorporated in the program framework. (*See* Exhibit 3.)

- Detailed application. We direct the utilities to prepare a standard application that specifies what additional information a MHP owner, whose MHP has been preliminarily selected for the pilot, must provide to enable a utility to commence the engineering and planning process. (*See* Exhibit 3.) We direct utilities to consult with SED

[18] The parties' responses have persuaded us to abandon the pledge initially proposed in the assigned Commissioner's second amended scoping memo. That proposal contemplated a pledge by the MHP owner that from the date of application the owner would separately account for receipt and expenditure of all master-meter revenues and contribute to the cost of the conversion any revenues in excess of reasonable and necessary operation and maintenance. However, parties uniformly contend that the monies recovered would be negligible at best and could be less than the costs of establishing and enforcing the requirement.

regarding the content and uniformity of the standard application.

- MHP Conversion Program Agreement. We direct the utilities to prepare a standard conversion program agreement. The MHP owner and utility must execute this agreement before the scheduling or commencement of any detailed planning or final engineering and before any construction. The agreement must include the performance requirements for the utility and the MHP owner, list anticipated (estimated) costs for the subject MHP, and advise the MHP owner of other legal responsibilities (for environmental remediation, etc.) (*See* Exhibit 3.) Performance requirements of the owner shall include granting to the utility all easements on the MHP property necessary for the conversion.[19] In addition, the agreement must require the following: (1) proof that the MHP has a valid operating license from the governmental entity with relevant authority; (2) if the MHP is operated on leased real property, proof that the land lease will continue until full depreciation, for ratemaking purposes, of the converted utility infrastructure;[20] and (3) declaration under penalty of perjury/affirmation that the MHP is not subject to an enforceable condemnation order or to pending condemnation proceedings.
- Environmental Issues; Remediation. Any environmental remediation or other resolution of environmental issues must continue to remain with each MHP owner and must be addressed as required by the agency with jurisdictional authority. We expressly prohibit utilities from assuming any

[19] Though the record is silent on this point, we anticipate that the only easements utilities might need to purchase would be for new rights-of-way across public or private property that receives no direct benefit from the MHP conversions. Under the MHP conversion program approved by today's decision, we cannot conclude it would be reasonable for utility ratepayers to pay a MHP owner for utility easements that enable the establishment of direct utility service to that MHP.

[20] The record suggests that the actuarial depreciation, for ratemaking purposes, is 35 years.

remediation responsibility and utility ratepayers shall bear no costs associated with any required remediation. (*See* Exhibit 3.)

- Engineering and Planning. We direct each utility to prepare a preliminary design for the new gas and/or electric system; distribute the design for appropriate review; provide the MHP owner with design and construction standards; prepare all necessary land rights documents (easements); and schedule construction. (*See* Exhibit 3.)
- Permits. Each utility will acquire routine, ministerial construction permits, such as encroachment permits necessary for utility trenching within public rights-of-way. As PG&E recommends, the utility should "perform a desktop environmental and cultural resources review of the proposed work at the MHP" and where that review indicates endangered species or the potential for cultural resources, etc., the utility then must ensure that work does not proceed prior to "an on-site review by appropriate experts to develop an impact avoidance and mitigation approach." (Exhibit 3 at 2-11.) The MHP owner must acquire all other permits (environmental permits, CalTrans permits, railroad permits, building permits, etc.). No work shall proceed until required permits have been obtained. (*See* Exhibit 3.)
- Construction. Each utility will perform or select a qualified, licensed contractor to perform all necessary "to-the-meter" construction, plumbing and/or electrical work. Each MHP owner, in consultation and coordination with the utility, will select a qualified, licensed contractor to perform all necessary "beyond-the-meter" construction, plumbing and/or electrical work. To facilitate the efficient sourcing of qualified contractors for the "beyond the meter" work, we encourage each utility to issue RFOs for its service territory to assemble a list of qualified, licensed contractors for the MHP owner's use. If the utility and MHP owner fail to agree upon the qualifications of the contractor selected to perform "beyond the meter" work, we direct them to consult with SED to resolve the dispute. Consultation and coordination must occur to ensure efficiency and avoid unnecessary (and

nonreimbursable) costs. The utility will reimburse the MHP owner for all prudently occurred and reasonable " beyond-the-meter" construction expenditures, which shall not include any modification or retrofit of the coach or manufactured home. (*See* Exhibit 3.)

- System Cutover. The MHP owner must continue to operate and maintain the existing master-meter/submeter system (also referred at the "legacy system") until cutover to the new system. Cutover cannot occur until jurisdictional authorities have inspected and approved operation of the new system. To ensure safety, the utility will disconnect the legacy system consistent with PG&E's recommendation (for both gas and electric, disconnect master-meter service connections; for gas, purge the master-meter system of unpressurized gas; etc.). The utility shall not remove the legacy system and no removal or system retirement costs shall be passed on to utility ratepayers under the conversion program. (*See* Exhibit 3.)

We direct each utility to file a Tier 2 advice letter for approval of new tariffs to establish an MHP conversion program that contains all of the program components identified above and includes each standard form discussed. The advice letter should be filed with the Commission's Energy Division by July 30, 2014. Energy Division shall consult with SED to verify that each utility's advice letter complies with today's decision.

4.3.3. Ratemaking Design and Implementation

To reiterate, all parties contemplate that the MHP conversion program ratemaking will include a two-way balancing account during the pendency of the three-year pilot. For "to the meter" and "beyond the meter" construction of a new gas and/or electric distribution system, all parties (except ORA) propose that the annual, forecast revenue requirement be based on the conversion cost/space developed in Appendix B multiplied by the number of spaces to be converted, plus a contingency. The PG&E proposal would capitalize both "to the

meter" and "beyond the meter" construction costs. The Joint Parties proposal would capitalize "to the meter" construction costs and would expense "beyond the meter" costs. Under both proposals, the total annual revenue requirement also would include related expenses such as customer outreach and education.

We agree the utilities should fully recover actual, reasonably incurred costs for new MHP distribution systems. However, we conclude that several structural adjustments need to be made to the parties' ratemaking proposals to encourage careful and reasonable expenditures and minimize the total costs of the utility pilot programs. First, we address use of forecast ratemaking. The parties all agree that the physical conditions at MHP master-meter/submeter systems will vary greatly, depending upon age, type of materials used in prior construction, existing MHP design, terrain and other factors. That is part of the reason the utility construction forecasts include a contingency factor of up to 25%. The estimates for conversion of SLRH may or may not prove to accurately reflect actual construction costs at that MHP; moreover, they may or may not be a very accurate proxy for other MHPs. Given the numerous uncertainties that underlie the parties' construction cost estimates and the lack of record-based specificity on the administrative functions and associated costs necessary to implement a MHP conversion program, we are not persuaded that forecast ratemaking is appropriate over the course of this three-year pilot. We think recovery of reasonably incurred, actual costs would be clearer and cleaner and from a ratemaking standpoint, would make much better sense. Reasonable incremental expenses for program development and administration, not otherwise included in rates, should be entered as incurred for annual recovery in the utility's pilot program balancing account. Reasonable expenditures for actual

construction costs should be entered as incurred and recovered in the year following cut over to direct utility service.

Second, we address capitalization proposals and recovery. As discussed above in Section 4.3.1, all reasonable, actual construction costs, both "to the meter" and "beyond the meter," should be capitalized. We propose that actual construction costs for each MHP conversion be entered into a balancing account and that recovery via advice letter begin in the year immediately following service cut over for that MHP. The per space conversion estimates in Appendix B will have ongoing value as a rough, initial cost measure but based on the record developed here, cannot serve as an absolute reasonableness standard.

Because "to the meter" construction will result in used and useful additions to utility plant, a utility should be allowed to recover the full cost of service of each "to the meter" conversion as a rate base addition (return on investment, taxes and depreciation). Review for reasonableness would occur in the GRC where "to the meter" costs are put into rate base; thus, both the timing of each conversion cut over and the schedule for each utility's GRC cycle would affect the timing of that review and the possibility of any disallowance of previously-recovered rates.

However, "beyond the meter" construction and its associated costs are different. As discussed in Section 4.3.1, we conclude these reasonably incurred costs should be treated as a regulatory asset and, we propose that they be amortized over ten years at the rate equivalent to the utility's then-current authorized return on rate base. Review of these costs for reasonableness also would occur in the GRC, subject to the same timing considerations (cut over, GRC schedule).

Third, we conclude utilities should recover MHP conversion program costs through distribution rates paid by all distribution customers.

Fourth, each utility's advice letter filing shall include creation of a balancing account for recording actual MHP conversion program costs, as discussed above.

4.3.4. Reporting

In keeping with our concept of a "living pilot," we will require periodic reporting so that we can fine-tune the MHP conversion program should developments warrant that action. Further, periodic reporting will allow us to assess whether to continue the program before the three-year term concludes in order to avoid the disruption that concerns WMA, SWGas and PG&E. Conversely, should actual costs prove much greater than anticipated or should other, unforeseen problems arise, we will be able to bring the program to an early end. Reports should be developed and submitted by February 1 of the year following each of the three, pilot program calendar years: Year 1 (January 1 to December 31, 2015; Year 2 (January 1 to December 31, 2016); and Year 3 (January 1 to December 31, 2017).

Below we describe the information we expect from each utility at the end of the first and second years and in the final report. An original of each report shall verified by an officer of the utility and shall be submitted to the Commission's Executive Director; each utility shall provide a copy of the report to each Commissioner, each party to this rulemaking who requests one, the Chief ALJ and the Directors of Energy Division and SED, and any other person who requests a copy.

In the first status report, due by February 1, 2016, we will require each utility to provide a status update that includes a timeline for implementation of

the three-year pilot and identifies where the utility is on that timeline. We anticipate that by the end of year one, the initial application process and the subsequent prioritization effort will have been completed and that in most instances, the parties will have executed agreements governing the conversion projects and, conversion work will have commenced. Each utility should also report: the number of initial applications received; problems experienced with the prioritization process and potential, future solutions; information about each MHP selected for conversion, including the general location (city and county), the number of spaces, what utility services will be converted and whether the conversion involves another Commission-regulated utility or other municipal or public agency provider.

By February 1, 2017, we direct each utility to submit a second status report that identifies the progress along the implementation timeline and provides a preliminary assessment of construction costs incurred per space. On both "to the meter" and "beyond the meter" bases, costs should be broken out to identify: civil work/trenching; other gas system construction (if applicable); other electric system construction (if applicable); other costs such as permits and easements. (*See* for example, Exhibit 3 at 4A-1, Table 4-2.)

In the third report, due by February 1, 2018 (or within 30 days of the utility pilot program's final MHP cut over, if that date occurs before December 31, 2017), we direct each utility to provide comprehensive cost accountings for both "to the meter" and "beyond the meter" construction based on project completion and cut over. In addition, utilities may provide narrative assessments of the three-year MHP pilot, if they choose.

5. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with § 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules). Comments were filed on March 3, 2014 by CUE, ORA, SCE, WMA, jointly by PacifiCorp and BVES, jointly by PG&E and SWGas, and jointly by SDG&E and SoCalGas. Reply comments were filed on March 10, 2014 by CUE, ORA, SCE, TURN and jointly, by PG&E and SWGas.

ORA, alone, continues to oppose a pilot program that includes a "beyond the meter" conversion component. ORA's opening comments reiterate the objections advanced in its prepared testimony, by its witness at hearing, and in its briefs. The other parties' opening comments ask us to revise one or more aspects of the combined "to the meter" and "beyond the meter" pilot program set out in the proposed decision, and TURN's reply comments support the proposed decision if no changes are made to its cost recovery mechanism.

Some of the opening and reply comments also reiterate other, prior positions but some offer very constructive suggestions to improve the pilot. Below, we address the parties' main concerns. As necessary or useful, we revise the proposed decision by also modifying the body of this Order, Findings of Fact, Conclusions of Law and/or Ordering Paragraphs.

Cost recovery for "beyond the meter" construction. WMA and the five large utilities argue (PacifiCorp and BVES are silent) that the proposed decision unreasonably limits recovery for "beyond the meter" construction costs to the utilities' long term, incremental cost of debt. SDG&E and SoCalGas add that "at a minimum, the Commission must use the authorized cost of debt" rather than the incremental cost of debt. (SDG&E/SoCalGas Opening Comments at 4.)

TURN opposes revision of this recovery mechanism for "beyond the meter" costs and ORA argues that ratepayers should not finance any work beyond the meter.

WMA and the utilities all contend that the utilities' long-term, incremental cost of debt will not provide adequate recovery for utility-financed construction "beyond the meter" since such financing employs a mix of debt and capital. WMA, PG&E and SWGas point to the recovery authorized under existing Rule 20A programs, which underground a certain number of electric facilities, annually, based on nominations by local governments. To accommodate the undergrounding, often the electric panel and a portion of the service line to each existing customer along the route must be replaced and the costs are recovered after project completion in general rates -- at the then-current authorized return on rate base. These parties argue, further, that safety improvements should not be deemed less deserving of recovery than other investments. SDG&E and SoCalGas suggest a different analogy, based on D.12-06-040, which approved recovery, as a regulatory asset, of California Water Company's investment in the San Clemente Dam removal project. These examples are not identical to one another nor, as TURN points out, do they perfectly mirror "beyond the meter" construction under the MHP pilot program. But they do represent two among myriad situations where the Commission has determined that ratepayer financing should support broad public purposes intertwined with basic utility service.

Several utilities also argue that one of the proposed decision's stated reasons for a lower return – the lack of risk of recovery for a designated regulatory asset – overstates reality, particularly as the Commission cannot bind the decisions of future members.

On balance we find these arguments persuasive. We revise the proposed decision to authorize recovery of reasonably incurred costs for "beyond the meter" construction amortized over ten years at the rate equivalent to the utility's then-current authorized return on rate base. As we discuss below, we also clarify that reasonableness review must apply to recover of all pilot program costs.

Forecasts of construction costs; reasonableness review. PG&E and SWGas argue that because both the PG&E proposal and the Joint Parties proposal contemplate a cost recovery mechanism that would permit each utility to record its forecast costs in a two-way balancing account, the proposed decision's failure to endorse that approach is unreasonable. Likewise, they argue that recovery of "to the meter" construction costs should not be subject to reasonableness review.

We decline to revise the proposed decision to adopt this aspect of the PG&E proposal. The great variation in the utilities' Exhibit 1 common case study estimates and the lack of certainty about conditions at other MHPs supports caution. Furthermore, because we revise the proposed decision to increase the utility's return on recovery of expenditures for "beyond the meter" construction, there is more reason for the traditional scrutiny that reasonableness review affords, not less. Therefore, we revise the pilot program to provide that "beyond the meter" construction costs will be subject to review for reasonableness in the first GRC after system cut over. *All* participants in the pilot program should understand that *all* ratepayer funds must be used effectively and efficiently.

Pilot start date. PG&E, SWGas and WMA all urge us to defer the start date of the pilot program to January 1, 2015, to provide more time for program development and the equally critical outreach to inform and educate the public, including potential participants. Our SED advisory staff also supports this request, as do SCE's reply comments. We agree and defer commencement of the

application period to January 1, 2015. Therefore, we defer the advice letter filing required to implement this pilot program to July 30, 2014 (November 1, 2014, which PG&E/SWGas suggest, is too close to the January 1, 2015 start date). However, as PG&E and SWGas also suggest, we revise the timeline for each of the three annual reports to February 1 of the next calendar year.

Conversion target (10% of MHP spaces). The opening comments raise two different issues. SCE asks that we revise, downward, the conversion target in its service territory due to "contract resource constraints" it faces because of other, ongoing work. (SCE Opening Comments at 4.) PacifiCorp and BVES ask for further clarification about how the 10% target should apply in the small utilities' service territories, given the fewer number of MHPs they serve. Though we address each of these concerns in greater detail below, our guidance for all utilities is this: conversion of 10% of the MHP spaces in each utility's service territory cannot be a hard measure but must be a good faith, best efforts target, given the varied size of existing MHPs and our prioritization objectives.

SCE seeks flexibility to convert a "range of 5-10%" of the total number of MHP spaces in its service territory, rather than the proposed decision's target of approximately 10%. SCE states that its current "distribution infrastructure replacement program" has increased the demand for the same "distribution line construction crews and civil crews" needed to undertake MHP conversion work. (*Id.*) More particularly,

> SCE has increased its distribution contractor crew counts from an average monthly crew count of 82 in 2012 to 167 crews as of February 2014, and anticipates crew counts of over 200 by mid-2014. Civil crews have also seen similar percentage of increases. (SCE Opening Comments at 5.)

CUE opposes this request and argues that "SCE has the ability to contract for this work with skilled and qualified contractors, just as they do for many

other distribution projects." (CUE Reply Comments at 4.) We decline to grant SCE's request for a separate, sliding scale conversion target in its service territory at this very early stage. We urge SCE to employ the request for offers (RFOs) process discussed below. If problems develop thereafter, it may bring this matter to the Commission via appropriate procedural processes under our Rules.

For PacifiCorp and BVES, flexibility also is the issue, but for a different reason. The utilities have a numerical problem:

> PacifiCorp's largest MHP holds 99 spaces; however, ten percent of all MHP spaces would be approximately 5l spaces. BVES's second largest MHP holds 75 spaces, however, ten percent of all MHP spaces would be approximately 54 spaces It may also be possible to convert a number of MHPs with few spaces, which when accumulated may be less than 10 percent and the next MHP in the queue will cause the Joint Small Utilities to exceed the 10 percent cap. (PacifiCorp/BVES Opening Comments at 2.)

Both utilities prefer to convert an entire MHP or several, entire MHPs, which the proposed decision endorses. Thus, they seek assurance that the Commission will deem reasonable either slightly under-achieving the 10% target, or potentially exceeding it by as much as 100%. We appreciate the small utilities' unique circumstances and agree that flexibility is warranted. However, the small utilities must finalize their conversion plans after consulting on prioritization with HCD or its local agency delegee (and also with SED, if a Commission-regulated entity provides natural gas service) and after coordinating with providers of other utility services where possible (to promote efficiency by minimizing trenching and other construction costs).

RFOs to qualify "beyond the meter" contractors. SCE suggests that we authorize each utility to issue RFOs in order to assemble a list of qualified contractors for "beyond the meter" construction in its service territory.

> SCE is concerned that MHP owners may have little access or incentive to hire a contractor at reasonable rates, as ratepayers will be responsible for funding this work. To facilitate the efficient sourcing of qualified contractors for the beyond-the-meter work, SCE proposes that the IOUs be permitted to issue request for offers. (SCE Opening Comments at 10.)

CUE supports this request and suggests we mandate the approach. SCE's suggestion appears to us to be a very useful, common sense proposal to assist MHP owners and avoid misunderstandings that could result in unreimbursed costs. We incorporate it in the pilot program as an option and urge utilities and MHPs owners to implement this approach but we decline to require that all utilities must employ it.

Responsibility for Prioritization. SCE asks that we state expressly that SED and HCD, the agencies with inspection jurisdiction over MHP natural gas and electric systems, respectively, have the authority and responsibility to prioritize MHP conversions. We add the following clarification. Neither the utilities nor the MHP owners may act alone to determine prioritization under the pilot program. SED has authority and is responsible for prioritizing conversions of systems that are natural gas only or both gas and electric. In most instances, given its general MHP jurisdiction under the Mobilehome Parks Act, HCD is the proper agency to weigh in on the prioritization of electric only systems though, as HCD described at the March 4, 2013 workshop, a few local agencies have assumed this responsibility by agreement with HCD. (*See* http://www.cpuc.ca.gov/puc/energy/mhp.htm.) Therefore, for prioritization of any electric only systems, the utilities much consult and coordinate with HCD or its local agency delegee.

Integration with other, established customer programs. SDG&E and SoCalGas suggest that the pilot program and any post-pilot continuation be

> "integrated" and coordinated with other existing and future utility (including municipal utility) customer programs such as, CARE, ESAP, DG, Advanced Metering, energy and water conservation, etc., to maximize the benefits and minimize disruption to the end-use customers. (SDG&E/SoCalGas Opening Comments at 9.)

These parties suggest that doing so may also increase participation. We agree that such coordination makes sense. We urge the deployment of Smart meters and note that lack of access to such technology was one of the reasons SLRH, the subject of the common case study, sought to transfer its master-meter system to SDG&E.

Utility liability. SCE asks that we add two Conclusions of Law to underscore the principles, articulated in the proposed decision, that (1) the utility has no liability for the MHP's "legacy" master-meter/submeter system or for the privately constructed, new "beyond the meter" system, and (2) neither the utility nor its ratepayers shall be liable for or bear the costs associated with any environmental remediation. SCE includes proposed language, which we incorporate, in substantial part, as Conclusions of Law 18 and 19.

Continuation of the pilot. PG&E, SWGas, WMA and CUE ask the Commission to require that each utility seek extension of the conversion program by filing a Tier-2 Advice Letter after the second annual status report. CUE also asks that we specify, now, the space conversion target applicable to a continuation and other terms. SCE's reply comments oppose any such mandate at this time. While it is premature to require this advice letter filing (or specify its terms), we agree that any utility may elect to make such a filing if the actual experience to that point appears to warrant continuation of the MHP conversion

program without major modification. Among other things, the advice letter filing should specify the application period and the application process and should include a MHP space conversion target, either as a whole number or a percentage of the remaining spaces in the utility service territory potentially eligible for conversion. In addition or alternatively, at the end of the pilot any party may request continuation of the program under our Rules and may include recommendations for revisions of any aspect of the program.

Commission approval or rejection of either an advice letter or more formal request will turn upon events that are unknown and unknowable at present. The success of the pilot will inform the Commission's future determinations on whether or not to continue the MHP conversion program in its present or some modified form.

6. Assignment

Michel Peter Florio is the assigned Commissioner and Jean Vieth is the assigned ALJ in this proceeding.

Findings of Fact

1. Appendix A excerpts pages 3 through 9 of the OIR, which discusses the following foundational topics: MHP master-meter/submeter pricing structure, the submeter transfer program codified in §§ 2791-2799, and submeter system responsibilities and oversight.

2. The MHPs at issue in this rulemaking receive master-metered natural gas or electric service, or both, from Commission-regulated utilities. A definitive count of these MHPs or the number of spaces at them has continued to be elusive for reasons articulated in the OIR and in the body of this Order. Exhibit 15 contains the most comprehensive count of MHPs and MHP spaces in the record but it contains some duplications. Exhibit 15 lists 261 more MHPs than the

number on HCD's website. HCD counts all MHPs in California, whether or not master-metered.

3. In the 17 years since enactment of §§ 2791-2799, little more than two-dozen master-meter/submeter gas and electric system conversions have occurred. The four largest utilities report the following conversions: PG&E--four MHPs, one of them gas only; SCE--15 MHP electric systems; SoCalGas--five MHPs, one gas only and two completed concurrently with SCE; and SDG&E--four MHPs, one electric only.

4. No party argues that MHP master-meter/submeter distribution systems, as a group, are so unsafe or unreliable that they pose an imminent danger. All parties recognize that various kinds of problems are not uncommon, given the aging infrastructure at most MHPs.

5. Detailed data on the condition of electric submeter systems in MHPs does not exist; data (and records) for gas submeter systems for periods before SED assumed safety jurisdiction is quite limited in many instances.

6. SED in its advisory capacity has confirmed that its records show that gas leaks in September 2013 at San Marcos View Estates, in San Marcos, California, and at Oak Crest Estates, in San Jose, California, caused the serving utility to shut down the respective master-meter/submeter gas systems at each of these MHPs.

7. In text and photographs, Exhibits 25 and 26 illustrate some of the potential problems at electric and natural gas master-metered MHPs.

8. The Commission and parties sponsored a 20-question survey and a cover letter, which each utility mailed or otherwise provided to its MHP master-meter accounts. Out of the 3,000 to 4,000 survey packages, 680 completed surveys were returned to the ALJ, who oversaw the creation of a database for recording the answers to individual questions and preparation of a report to summarize them.

Though these unsworn survey responses may not provide a statistically valid data sample, they provide additional, perhaps anecdotal, information about the age and condition of the relevant subset of MHP submeter systems. This information tends to corroborate representations made by one or more parties, or provided by HCD or SED in their workshop presentations.

9. The parties ultimately developed two proposals for a pilot MHP conversion program: "Joint Parties proposal" is for a "to the meter" program sponsored by SCE, SDG&E, SoCalGas, BVES, PacifiCorp, Liberty Utilities, TURN, and in part, by ORA. The "PG&E proposal" includes construction both "to the meter" and "beyond the meter;" it is sponsored by PG&E, SWGas, GSMOL, WMA, CUE and SLRH.

10. Under the Joint Parties proposal, utility ratepayers would finance "to the meter" construction and MHP owners would remain responsible for financing "beyond the meter" construction; under the PG&E proposal, the ratepayer-financed conversion program would cover construction on both sides of the meter. Under both proposals, utility ownership would be the same, limited to the "to the meter" portion of the new infrastructure. The utilities uniformly anticipate that in almost all circumstances an entirely new distribution system (both "to the meter" and "beyond the meter" portions) would need to be built in parallel to the existing master-meter/submeter system. Upon the commencement of direct utility service, the old master-meter/submeter system would be abandoned and the MHP master-meter discount would cease.

11. Exhibit 1, the Joint Cost Report produced by the utility parties and WMA, identifies the construction work and component parts associated with conversion to direct utility service of SLRH, a resident-owned, urban, 328 space master-metered MHP in SDG&E's service territory; it separately estimates

conversion costs/space on a "to the meter" and "beyond the meter" basis. Exhibit 40 updates Exhibit 1, Table 4-1 to show on a single page all corrections made at hearing.

12. The utilities' individual estimates for conversion cost/space at SLRH vary considerably, from "to the meter" estimates at the low end of $1,158 per space (a gas only estimate, from SWGas) and at the high end of $17,217 per space (a gas and electric estimate, from SDG&E). The range for the separate, "beyond the meter" estimates also varies considerably, from a low of $889 per space (gas only, SWGas) to a high of $11,313 per space (also gas and electric, SDG&E). The estimates all include a contingency factor of 14-25% to account for unknowns.

13. The utilities all use the same basic approach to extrapolate the cost of a MHP conversion program in their service territories from the conversion cost/space developed in the SLRH cost study. The utilities each use their own estimated conversion cost/space and multiply that sum by the number of spaces to be converted over a specified period. The utilities all rely upon the Exhibit 15 effort to quantify, on a service territory basis, the number of MHPs potentially eligible for conversion and the number of spaces within each MHP.

14. Though residents of master-metered MHPs within the service territory of a Commission-regulated utility pay the same residential rates (on a ¢/kWh or $/therm basis) as the utility's direct service customers, they do not receive the same benefits. These MHP residents are ineligible to participate in established public purpose and load management programs widely available to those who receive direct service, including for example, those developed to promote low-income energy efficiency, the California Solar Initiative and advanced metering infrastructure. Where submetered electric service is less than

100 amps, MHP residents may be unable to operate many modern appliances, including air conditioners; electric vehicle refueling would be impossible.

15. To the extent that MHP conversion costs are rolled into the distribution rate structure, not all ratepayers will receive a direct and proportional benefit but that is the case with many utility programs, including for example, California Alternatives Rates for Energy and other public purpose programs, as well energy efficiency programs.

16. A three-year pilot program, for conversion from master-meter/submeter natural gas and/or electric service to direct service, should be approved for MHPs located within the franchise areas of electric and/or natural gas corporations. The MHP conversion program must be designed to accomplish conversion on a combined "to the meter" and "beyond the meter" basis of approximately 10% of the spaces in the service territory of each electric and/or natural gas corporation. This conversion target cannot be a hard measure but must be a good faith, best efforts target, given the varied size of existing MHPs and the Commission's prioritization objectives. The small utilities' circumstances are unique and while flexibility is warranted, they must finalize their conversion plans after consulting and coordinating on prioritization with the HCD or its local agency designee, and with SED (if a Commission-regulated utility provides natural gas service). Coordination with customer programs such as CARE, ESAP, DG, Advanced Metering, energy and water conservation, etc., should be encouraged.

17. An MHP conversion program that includes "beyond the meter" construction would be voluntary (MHP owners would have to apply), Commission-regulated utilities would not do the "beyond the meter" construction work, all plumbing and electrical work "beyond the meter" would

be subject to the permitting and inspection requirements of the agencies that hold such authority now and utilities would acquire neither ownership of nor responsibility to maintain the new distribution infrastructure on the customer-side of the meter. The meter would continue to be the demarcation point separating utility and customer.

18. Exhibits 41 through 44 contain estimates, respectively, by PG&E, SCE, SWGas and jointly, SDG&E/SoCalGas, of the likely impact on current average residential bills in 2015, 2015 and 2017 of a three-year pilot program that would convert, respectively, 3%, 5% and 10% of the MHP spaces in each utility's service territory.

19. In Exhibit 44, SoCalGas and SDG&E separately calculate impacts based on "to the meter" construction only and on combined "to the meter" and "beyond the meter" construction, with "beyond the meter" costs expensed.

20. In Exhibit 41, PG&E projects the following monthly rate impact at current electric rates on the average residential customer (i.e., 17.455 ¢/kWh, average consumption 550 kWh, average monthly bill of $93.98), presuming conversion of 10% of the MHP spaces in its service territory under a three year pilot program on a combined "to the meter" and "beyond the meter" basis, with all construction capitalized: in 2015, 17.463 ¢/kWh; in 2016, 17.475 ¢/kWh; and in 2017, 17.486 ¢/kWh.

21. In Exhibit 41, PG&E projects the following monthly rate impact at current natural gas rates on the average residential customer (i.e., 1.2480 $/therm, average consumption 37 therms, average monthly bill of $46.18), presuming conversion of 10% of the MHP spaces in its service territory under a three year pilot program on a combined "to the meter" and "beyond the meter" basis, with

all construction capitalized: in 2015, 1.2492 $/therm; in 2016, 1.2505 $/therm; and in 2017, 1.2520 $/therm.

22. In Exhibit 42, SCE projects the following monthly rate impact at current electric rates on the average residential customer with bundled service (i.e., 17.455 ¢/kWh, average consumption 568 kWh, average monthly bill of $99.18), presuming conversion of 10% of the MHP spaces in its service territory under a three year pilot program on a combined "to the meter" and "beyond the meter" basis, with all construction capitalized (not expensed): in 2015, 17.477 ¢/kWh; in 2016, 17.509 ¢/kWh; and in 2017, 17.518 ¢/kWh).

23. In Exhibit 43, SWGas projects the following monthly rate impact at current natural gas rates on the average residential customer in its Southern California service territory (i.e., 1.20227 $/therm, average consumption 44 therms, average monthly bill $57.90), presuming conversion of 10% of the MHP spaces in its service territory under a three year pilot program on a combined "to the meter" and "beyond the meter" basis that included meter shed construction, with all construction capitalized: in 2015, 1.20269 $/therm; in 2016, 1.20311 $/therm; and in 2017, 1.20353 $/therm. In its Northern California service territory (i.e., 1.40836 $/therm, average consumption 61 therms, average monthly bill $90.91), the monthly rate impact projections are: in 2015, 1.40878 $/therm; in 2016, 1.40920 $/therm; and in 2017, 1.40962 $/therm. In its South Lake Tahoe service territory (i.e., 1.02909 $/therm, average consumption 66 therms, average monthly bill $72.92), the monthly rate impact projections are: in 2015, 1.02951 $/therm; in 2016, 1.02993 $/therm; and in 2017, 1.03035 $/therm.

24. A "living pilot" with a three-year, initial term is prudent, given the uncertainties about the conditions at master-metered/submetered MHPs and the actual costs of converting them to direct utility service.

25. The pilot should test the feasibility of MHP conversion on a combined "to the meter" and "beyond the meter" basis; "beyond-the-meter" construction is necessary for the new distribution systems to function and to provide MHP residents with utility service on par with that of other residential customers. Unless "beyond the meter" construction occurs, "to the meter" construction would be pointless and a waste of ratepayer resources.

26. Converting approximately 10% of the spaces within each utility's service territory over the pilot's initial, three-year term is practicable and reasonable. Lower participation limits could detrimentally affect efficiency and cost-effective prioritization, particularly for dual-commodity conversions.

27. The first priority of the pilot must be to maximize conversion of higher risk MHP master-meter/submeter systems that supply natural gas, in accordance with SED's prioritization assessment. The secondary priority should be system reliability/capacity. For systems that are gas only, or gas and electric, the utilities must consult with SED to prioritize conversions based on the risk assessment and prioritization factors developed by SED [*see* information posted at: http://www.cpuc.ca.gov/puc/energy/mhp.htm]. For electric only systems, the utilities must consult with HCD or its delegee, the county or city authorities with safety and reliability oversight for electric master-meter/submeter systems. To maximize efficiency and minimize costs overall, where possible conversion of entire parks should be encouraged as should joint trenching efforts that permit conversion of both natural gas and electric systems. To expand potential trenching efficiencies, utilities also should consult with water and telecommunications providers serving the MHP, as well as public agency utility providers.

28. The pilot should include an initial application period, standard across all utility programs, of no more than 90 days; applications received after this period should be placed on a waiting list.

29. Applications received in the initial application period must be prioritized and reviewed for other eligibility criteria, consistent with these Findings and the body of this Order. If the accepted applications amount to fewer than approximately 10% of the potentially eligible MHP spaces within the utility's service territory, one or more other applications on the waiting list should move forward, as determined by SED's priority assessment.

30. A MHPs placement on the waiting list established during the pilot will not assure eventual conversion.

31. In addition to the initial application, the pilot program should include all of the components discussed in greater detail in the body of this Order under the following subtitles: outreach and education; credit; determination of preliminary eligibility; detailed application; MHP conversion program agreement; environmental issues; remediation; engineering and planning; permits; construction; and system cut over. In particular, the MHP conversion program agreement must include the following performance requirements of the MHP owner: a grant to the utility of all easements on the MHP property necessary for the conversion; proof that the MHP has a valid operating license from the governmental entity with relevant authority; if the MHP is operated on leased real property, proof that the land lease will continue until full depreciation, for ratemaking purposes, of the converted utility infrastructure; and declaration under penalty of perjury/affirmation that the MHP is not subject to an enforceable condemnation order or to pending condemnation proceedings.

32. To facilitate the efficient sourcing of qualified contractors for the "beyond the meter" work, the utility is encouraged to issue RFOs for its service territory to assemble a list of qualified, licensed contractors for the MHP owner's use. If the utility and MHP owner fail to agree upon the qualifications of the contractor selected to perform "beyond the meter" work, they should consult with SED to resolve the dispute.

33. The pilot programs should be developed to maximize uniformity of the MHP conversion process by standardizing program development and administration across utilities and utility service territories.

34. By July 30, 2014, each utility must file with the Commission's Energy Division a Tier 2 advice letter for approval of new tariffs to establish a pilot MHP conversion program consistent with these Findings and the body of this Order. Energy Division must consult with SED to verify that each utility's advice letter complies with this Order.

35. The numerous uncertainties that underlie the parties' construction cost estimates and the lack of record-based specificity on the administrative functions and associated costs necessary to implement a pilot MHP conversion program, makes forecast ratemaking particularly speculative. Utilities should be authorized to seek annual recovery of reasonably incurred, actual costs. Reasonable expenses for incremental program development and administration, not otherwise recovered in rates, should be entered annually in the utility's pilot program balancing account. Reasonable expenditures for actual construction costs should be entered as incurred and recovered via advice letter in the year following cut over of each MHP system converted.

36. All reasonable, actual construction costs, both "to the meter" and "beyond the meter," should be capitalized. Because "to the meter" construction will result

in used and useful additions to utility plant, recovery should be authorized on the basis of the then-current, full cost of service of each rate base addition (return on investment, taxes and depreciation). Review for reasonableness should occur in the GRC where "to the meter" costs are put into rate base. Because "beyond the meter" construction is necessary for the entire, new distribution system to function and provide ratepayer value, it will create a regulatory asset, and the associated, reasonably incurred construction costs should be amortized over ten years at the rate equivalent to the utility's then-current authorized return on rate base. Review for reasonableness should occur in the first GRC after cut over.

37. Utilities should recover the pilot MHP conversion program costs through distribution rates paid by all distribution customers.

38. Each utility's advice letter filing should include creation of a balancing account for recording actual pilot MHP conversion program costs, consistent with these Findings and discussion in the body of this Order.

39. Yearly status reports, consistent with these Findings and discussion in the body of this Order, will enable the Commission to consider continuing the pilot before the end of the initial, three-year term, to make other adjustments, as necessary or appropriate or should unforeseen problems arise, bring the program to an early end.

40. The pilot program should begin on January 1, 2015 and should run on a calendar year schedule: Year 1 (January 1 through December 31, 2015; Year 2 (January 1 through December 31, 2016); and Year 3 (January 1 through December 31, 2017). Annual status reports should be developed and submitted on February 1 following the end of each calendar year. An original of each report shall verified by an officer of the utility and shall be submitted to the Commission's Executive Director; each utility shall provide a copy of the report

to each Commissioner, each party to this rulemaking who requests one, the Chief ALJ and the Directors of Energy Division and SED, and any other person who requests a copy.

41. A utility may elect to file, after the second annual status report, a Tier 2 Advice Letter for continuation of the MHP conversion program and in addition or alternatively, at the end of the pilot any party may request continuation of the program under Commission Rules and may include recommendations for revisions of any aspect of the program.

Conclusions of Law

1. By law, SED must be apprised of MHP gas leaks that meet a reportable criterion. We may take official notice, verifiable by reviewing SED's records, that as reported in Attachment 1 to WMA's October 8, 2013 opening brief, gas leaks in September 2013 at San Marcos View Estates, in San Marcos, California, and at Oak Crest Estates, in San Jose, California, caused the serving utility to shut down the respective master-meter/submeter gas systems. Because other information in Attachment 1 to WMA's opening brief as to cause, duration or consequence is unverifiable without additional process, Joint Parties' motion, filed October 16, 2013, to strike Attachment 1 to WMA's opening brief should be granted in substantial part.

2. The Commission does not have regulatory authority over the municipal or public agency utilities that provide master-metered natural gas or electric service.

3. Joint Parties fail to establish that the Commission may not authorize a "beyond the meter" program because explicit authority for such a program is not found in either the California Constitution or the Public Utilities Code.

4. Joint Parties fail to establish that a "beyond the meter" program preempts the permit authority of local governments.

5. Joint Parties fail to establish that a "beyond the meter" program usurps federal authority over MHP gas systems.

6. Joint Parties fail to establish that a "beyond the meter" program constitutes impermissible regulation beyond the interconnection point.

7. Joint Parties fail to establish that a "beyond the meter" program treats MHP customers in a way that is unreasonable and discriminatory or would create unlawful tariffs.

8. Joint Parties fail to establish that a "beyond the meter" program could constitute an impermissible tax. Under Proposition 26, which amended article XIIA of the California Constitution to require a vote of two-thirds of both houses of the Legislature before "a change in state statute" may impose a higher tax on taxpayers. Utility tariffs are not state statutes.

9. Joint Parties fail to establish that a "beyond the meter" program is unlawful because the current, statutory MHP transfer program is exclusive.

10. Joint Parties fail to establish that by authorizing a "beyond the meter" program the Commission would exceed its jurisdiction as an administrative agency by enacting law in violation of the principle of separation of powers.

11. A MHP conversion program that includes "beyond the meter" construction is not inconsistent with the Consumers Lobby test's requirement that exercise of the Commission's broad authority "be cognate and germane to the regulation of public utilities." (*Consumers Lobby Against Monopolies v PUC* (1979), 25 Cal 3d 891, 905-06.)

12. The Commission may require changes in utility tariffs to implement reasonable regulatory programs and does so regularly. In this regard, the Commission may approve programs that alter application of utility line extension

rules and has done so in the past, for example in connection with Rule 20 undergrounding proposals. (*See* D.82-01-018, 7 CPUC 2d 757.)

13. No authority bars the Commission's regulatory actions from affecting the customer side of the meter in any way and both statute and precedent evidence the contrary. Examples include: the existing, statutory MHP transfer program; various non-statutory California Solar Initiative programs, including the Net Energy Metering program that reaches distributed generation on the customer's premises; and the natural gas compression services for certain commercial customers offered under SoCalGas' new Compression Services Tariff, recently approved by D.12-12-037, as modified by D.13-10-042.

14. The existing, statutory MHP transfer framework does not expressly or impliedly prohibit a voluntary, MHP conversion program with a "beyond the meter" component.

15. The OIR for this proceeding does not purport to modify statute; the assigned Commissioner's second amended scoping memo clearly states, "[t]his rulemaking has not stayed any of the programs that Commission-jurisdictional utilities have developed to implement" those statutory programs. (Second Amended Scoping Memo at 2.)

16. Joint Parties have failed to establish that because utilities will not own the new, customer-side infrastructure, "beyond the meter" construction costs must be expensed and cannot be capitalized. "Beyond the meter" construction is necessary for the entire, new distribution system to function. The utility will serve as the pass-through for "beyond the meter" construction funds as provided in its conversion agreement with the MHP owner. This pass-through role is based on ratepayers' promise to repay the utility since the ratemaking obligation

constitutes a regulatory asset, appropriate for recovery from ratepayers in rates over time.

17. Utilities should be authorized to fully recover actual, reasonably incurred costs for new MHP distribution systems.

18. A utility shall have no liability for the MHP submeter systems (referred to as legacy systems), or the beyond-the-meter infrastructure installed during conversion, and the MHP Conversion Program Agreement shall provide that the MHP owner will hold harmless, defend and indemnify the utility from all causes of action or claims arising from or related to these systems.

19. Any environmental remediation or other resolution of environmental issues must continue to remain with each MHP owner and must be addressed as required by the agency with jurisdictional authority. No utility shall assume any remediation responsibility and utility ratepayers shall bear no costs associated with any required remediation.

O R D E R

IT IS ORDERED that:

1. Joint Parties' motion, filed October 16, 2013, to strike Attachment 1 to the opening brief of Western Manufactured Housing Community Association, filed October 8, 2013, is granted in substantial part. We take official notice, verifiable by reviewing records of the Commission's Safety and Enforcement Division, that gas leaks in September 2013 at San Marcos View Estates, in San Marcos, California, and at Oak Crest Estates, in San Jose, California, caused the serving utility to shut down the respective master-meter/submeter gas systems. We disregard other information, unverifiable without additional process, as to cause, duration or consequence.

2. A three-year pilot program, for conversion from master-meter/submeter natural gas and/or electric service to direct service, is approved for mobilehome parks and manufactured housing communities (collectively, MHPs) located within the franchise areas of electric and/or natural gas corporations. The MHP pilot program must be designed to accomplish, as further described in these Ordering Paragraphs and in the body of this Order, conversion on a combined "to the meter" and "beyond the meter" basis of approximately 10% of the spaces in the service territory of each electric and/or natural gas corporation. The MHP pilot timeline must accept applications beginning on January 1, 2015.

3. The first priority of the pilot program approved in Ordering Paragraph 2 must be to maximize conversion of higher risk master-meter/submeter systems that supply natural gas to mobilehome parks or manufactured housing communities and where possible, as further discussed in the body of this Order, dual conversions (natural gas and electric) are preferred. Reliability and capacity priorities, in that order, must follow safety. The Commission's Safety and Enforcement Division has authority and responsibility for prioritizing conversions of natural gas only systems or dual service systems (both natural gas and electricity). For prioritization of electric only systems the utilities must consult and coordinate with the California Department of Housing and Community Development or its local agency designee.

4. Major components of the pilot program approved in Ordering Paragraph 2 must include the following, as further described in the body of this Order: outreach and education; a standard application period of not more than 90 days and a waiting list for applications received beyond that period or that exceed the pilot program's MHP space conversion threshold of approximately 10%; submission by applicants of the standard, initial application attached to this

Order as Appendix C; prioritization of initial applications in consultation with the Commission's Safety and Enforcement Division (SED) based on the risk assessment and prioritization factors developed by SED, and for electronic systems, based on consultation with the California Department of Housing and Community Development or its local agency designee; a standard, detailed application that requests the information necessary for engineering and planning by electric and gas corporations; a standard, conversion program agreement, executed by the mobilehome park or manufactured housing community owner and the electric and/or gas corporation; an engineering and planning phase; a "to the meter" and "beyond the meter" construction phase, concurrent where possible; and system cutover, following completion and inspection of the new distribution infrastructure.

5. As further described in this Order, an existing resident of a mobilehome park or manufactured housing community who becomes a customer of an electric and/or gas corporation through the conversion program approved in Ordering Paragraph 2 must receive "grandfathered" customer status that waives the initial, new customer credit check and service deposit at the time of service cut over but must be subject to shut-off provisions under existing tariffs.

6. The conversion program agreement referenced in Ordering Paragraph 4 must require proof that the mobilehome park or manufactured housing community (MHP) agreement has a valid operating license from the governmental entity with relevant authority; for a MHP operated on leased real property, proof that the land lease will continue until full depreciation, for ratemaking purposes, of the converted utility infrastructure; and declaration under penalty of perjury or affirmation that the MHP is not subject to an enforceable condemnation order and/or to a pending condemnation proceeding;

terms governing environmental issues, remediation, permits and easements, which must be consistent with discussion in the body of this Order.

7. Upon cut over, the electric and/or gas corporation must ensure safe disconnection of the master-meter/submeter system from the new distribution system, as further described in the body of this Order.

8. Each electric and/or gas corporation is authorized to fully recover in distribution rates the costs of the conversion program approved in Ordering Paragraph 2, subject to reasonableness review. The following ratemaking is approved: actual, prudently incurred program costs shall be entered in a balancing account for recovery in the first year following cut over of service; "to the meter" construction costs must be capitalized based on actual (not forecast) expenditures at the utility's then-current authorized return on rate base; "beyond the meter" construction costs must be capitalized based on actual (not forecast) expenditures and consistent with their status as a regulatory asset, these costs must be amortized over ten years at a rate equivalent to the utility's then-current authorized return on rate base. Review for reasonableness of "to the meter" costs will occur in the general rate case where those costs are put into rate base. Review for reasonableness of "beyond the meter" costs will occur in the first general rate case after service cut over.

9. Each electric and/or gas corporation must file a Tier 2 Advice Letter for approval of new tariffs to establish a voluntary, mobilehome park/manufactured housing community conversion program that contains all of the program components referenced in these Ordering Paragraphs and further described in this Order. The Advice Letter must be filed with the Commission's Energy Division on or before July 30, 2014. The Energy Division shall consult with the

Safety and Enforcement Division to ensure that the Advice Letter complies with this Order.

10. Each electric and/or gas corporation must annually prepare a report for the conversion program approved in Ordering Paragraph 2, as follows: (a) by February 1, 2016, a status report that includes a timeline for implementation of the three-year pilot and identifies where the utility is on that timeline; the number of initial applications received; problems experienced with the prioritization process and potential, future solutions; information about each mobilehome park or manufactured housing community selected for conversion, including the general location (city and county), the number of spaces, whether natural gas or electricity or both will be converted and whether the conversion involves another electric or gas corporation utility or other municipal or public utility provider; (b) by February 1, 2017, a status report that identifies timeline status and a preliminary quantification of construction costs incurred per space, broken out on both "to the meter" and "beyond the meter" bases, as further described in the body of this Order; and (c) by February 1, 2018 (or within 30 days of the utility pilot program's final mobilehome park or manufactured housing community cut over, if that date occurs before December 31, 2017), a comprehensive cost accountings for both "to the meter" and "beyond the meter" construction based on project completion and cut over and if desired, a narrative assessments of the three-year pilot.

11. All reports required by Ordering Paragraph 10 must be verified by an officer of the utility and the original must be submitted to the Commission's Executive Director. The utility must provide a copy to each Commissioner, each party listed on the service list for this rulemaking who requests one, the Chief

Administrative Law Judge and the Directors of Energy Division and Safety and Enforcement Division, and to any other person who requests a copy.

12. The Commission may use the reports specified in Ordering Paragraphs 10 and 11 to fine-tune the conversion program as warranted, assess the possibility of continuing the program before the three-year term concludes, or should unforeseen problems arise, to bring the program to an early end.

13. Any utility may file a Tier-2 Advice Letter within 45 days of the second annual status report to request continuation of the conversion program if the actual experience to that point appears to warrant continuation of the program without major modification. Among other things, the advice letter filing should specify the application period and the application process and should include a target for converting an additional number of spaces, either as a whole number or a percentage of the remaining spaces in the utility service territory potentially eligible for conversion.

14. Rulemaking 11-02-018 is closed.

This Order is effective today.

Dated March 13, 2014, at San Francisco, California.

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
MICHAEL PICKER
Commissioners

Appendix A

Appendix A: Additional Background (excerpted from OIR 11-02-018 at pp 3-9)

2.1 Background

Many residents of MHPs built in California before 1997 do not receive electricity and/or natural gas directly from the utility holding the franchise to provide distribution-level service. Instead, the utility serves a master-meter customer (typically, the MHP owner or operator) who then distributes the electricity, natural gas, or both to individual coaches or homes at the MHP through a privately-owned submeter system.[21]

2.1.1. MHP Master-Meter/Submeter Pricing Structure

Pursuant to § 739.5, a utility bills the master-meter owner/operator at a discounted rate to adjust for the average costs that the utility avoids.[22] The Commission has explained that "[t]he discount is intended to reimburse the MHP owner for the reasonable average cost of providing submeter service, and is not to exceed the average cost that the utility would have incurred in providing comparable services to the tenant directly, which is avoided when the MHP is submetered."[23]

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[21] Master-meter/submeter systems generally provide electricity; natural gas may or may not be available and where it is unavailable, propane may be a substitute.

[22] Section 739.5(a) provides, in relevant part:

> … The commission shall require the corporation furnishing service to the master-meter customer to establish uniform rates for master-meter service at a level that 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.

[23] Decision (D.) 04-11-033 (2004), Finding of Fact 5, mod. and rhg. den. by D.05-04-031.

Over the years, the Commission has been asked to interpret § 739.5's implications for various aspects of the master-meter/submeter relationship. The Commission has opined on the purpose of the master-meter discount (i.e., to cover operation, maintenance, and replacement of the submeter system) and the particular costs included and excluded.[24] Further, the Commission has determined that § 739.5 establishes the master-meter discount as the sole source of cost recovery for all submeter costs factored into calculation of the discount.[25]

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[24] See the following threshold decisions:

OII into rates, charges and practices at MHPs (1995) D.95-02-090, 1995 Cal. PUC LEXIS 141, mod. and rhg. den. by D.95-08-056 [decision determines that § 739.5 expressly limits master-metered mobile home park owners' recovery of costs of owning, operating, and maintaining a submetered system to the reimbursement provided by the submeter discount and requires language to this effect to be inserted in utility tariffs];

OII to re-examine the submeter discount for MHPs, Phase 1 (2004) D.04-04-043 [decision adopts parties' settlement of Phase 1 of Rulemaking (R.) 03-03-017 including definitions of "utility avoided costs" (categories of costs covered by the electric or natural gas master-meter discount) and "costs not covered by the discount" (categories of electric costs unique to submetered MHP service or not reflected in utility rates for direct service];

OII to re-examine the submeter discount for MHPs, Phase2 (2004) D.04-11-033 [decision in Phase 2 of R.03-03-017 determines, among other things, that the master-meter discount must be based on a utility's average cost of providing direct service to MHPs (insufficiency of MHP owner records/data prevents determination of MHPs' average cost of submeter service), be set in each utility's general rate case or other major ratemaking proceeding, be adjusted as specified between major ratemaking proceedings, and be calculated as an amount per space per day using one of two methods it deems to provide a reasonable approximation–a sampling method (using a statistically valid random sample of MHPs a utility serves directly) or a marginal cost method (used by each utility to calculate residential customer rates)].

[25] See for example, *Home Owners Association of Lamplighter v. The Lamplighter Mobile Home Park* (1999) D.99-02-001, 1999 Cal. PUC LEXIS 119; *Yucaipa Mobilehome Residents' Association, et al. v. Knollwood Mobilehome Estates, Ltd.* (2004) D.04-05-056. The

Footnote continued on next page

In other words, if in a given year a master-meter owner/operator incurs higher submeter costs than the corresponding utility's average cost, the excess may not be recovered from MHP tenants in rents or surcharges. However, a master-meter owner/operator who spends less on the submeter system than the utility's average cost retains the differential received via the master-meter discount. In theory, an excess or an underage in any given year should result in a balance over time.

2.1.2. Statutory Transfer Requirements

For more than a decade, state policy has disfavored the continuation of master-meter/submeter systems. Section 2791(c) requires the direct-metering of electric and/or natural gas service in MHPs constructed after January 1, 1997 within electric or natural gas corporation franchise areas. That statute is part of Chapter 6.5, entitled *Transfer of Facilities in Master-Metered Mobilehome Parks and Manufactured Housing Communities to Gas or Electric Corporation Ownership*, which added §§ 2791-2799.[26] Pursuant to § 2791(a), transfer is a voluntary process, however–not a mandatory one. The bulk of Chapter 6.5 establishes the fundamental capabilities an existing submeter system must possess to be acceptable for transfer to a utility and provides a roadmap for the transfer process. We summarize the major provisions below.

To be transferable, § 2794 requires an MHP submeter system to meet three general criteria and permits the second of the three to be modified or

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Commission has exclusive jurisdiction to interpret § 739.5 and its exercise of that authority does not improperly usurp local rent control authority. See *Hillsboro Properties v. Public Utilities Commission* (2003) 108 Cal.App.4th 246.

[26] Stats. 1996, ch. 424, Sec. 1 (effective on January 1, 1997), added Chapter 6.5 to Part 2 of Division 1 of the Code.

waived by the parties; the statute does not require the system to meet all of the utility's standards.

- Per § 2794(a) a system must:
    - be "capable of providing end users a safe and reliable source" of electricity or natural gas;
    - comply with the Commission's general orders and be compatible with the utility's "design and construction standards insofar as they are related to safety and reliability";
    - be capable of serving customary expected load at the MHP, calculated by one of several specified methods.
- Per § 2794(b), customary expected load is defined to mean "the anticipated level of service demanded by the dwelling units" at the MHP.
- Per § 2794(c), compliance with § 2794(a) does "not require any particular system architecture or replacement of used and useful equipment, plant, or facilities, except as necessary to comply" with the criteria listed there and existing system components are to "be considered compatible unless their presence in the system would cause substantial increase in the frequency or duration of outages in the case of failure or emergency, or they have no remaining useful life."

Sections 2792 and 2793 address the transfer process and articulate three milestones; each of them requires or contemplates some response within 90 days.

- Upon receipt of an MHP owner's written notice of intent to transfer, the utility must do the followings six things within 90 days, per § 2792(a):
    - meet with the MHP owner;
    - perform a preliminary review of the submeter system;
    - inspect the owner's documentation of the construction, operation, and condition of the system;

  - advise the owner concerning the system's general condition and provide a preliminary opinion of the work needed for the system to comply with § 2794;
  - offer a preliminary, nonbinding estimate of the cost of transfer; and
  - offer a preliminary, nonbinding estimate of the cost of the utility's engineering evaluation and estimate of the construction work and equipment replacement the utility would need to do.
- Upon receipt of an MHP owner's deposit (in the amount of the estimate for the engineering evaluation) the utility must do the following three things within 90 days, per § 2793(a):
  - develop an engineering plan for bringing the submeter system into compliance with § 2794;
  - develop an appraisal of the value of the system to be transferred, as specified, and its remaining useful life; and
  - present a proposal for transfer that can serve as a bid document.
- Upon receipt of the utility's proposal for transfer, an MHP owner may do any one of the following four things within 90 days, per § 2793(e):
  - present objections to the utility in writing (and request mediation by the Commission if the parties cannot resolve their differences);
  - decline to proceed, without prejudice to presenting a new notice in the future;
  - accept the proposal and contract with the utility for completion of the required construction work and equipment replacement; and
  - accept the proposal and contract with an approved third party for completion of the required construction work and equipment replacement.

2.1.3. Submeter System Responsibilities and Oversight

MHP master-meter/submeter systems are private distribution systems interconnected with the larger electricity grid and with natural gas transmission

facilities. Because the utilities do not own or maintain MHP submeter systems, they do not have the same maintenance or safety responsibilities as for their own distribution systems. Maintenance and primary safety responsibility for MHP submeter systems lies with MHP owners/operators.

Governmental oversight and enforcement authority at MHP submeter systems is more highly structured for natural gas than for electricity. Generally, as part of its broad authority over health and safety issues that arise in the housing context, the California Department of Housing and Community Development (HCD) may perform inspections of MHP electric or natural gas submeter systems when it inspects the MHPs where those systems exist. In some instances, HCD has delegated MHP inspection authority to the cities or counties where the MHPs are located.

However, specific requirements delegated by the United States Department of Transportation (DOT) apply to natural gas. Sections 4351-4361, entitled *Enforcement of Federal Pipeline Safety Standards for Mobilehome Park Owners*, establish the framework that governs safety at *all* MHPs with natural gas submeter systems.[27] At the majority of such MHPs, an electric or gas corporation provides service to the MHP master-meter, but in a few instances, a municipal utility provides that service (examples include the cities of Coalinga and Long Beach).

Section 4352(a) charges the Commission with inspection and enforcement "to ensure compliance with the federal pipeline standards by mobilehome park operators." The Utility Safety and Reliability Branch, located within the Commission's Consumer Protection and Safety Division (CPSD), carries out the

[27] Sections 4351-4361 are found in Chapter 4 of Division 2 of the Code.

actual inspection and initial enforcement activities and, pursuant to § 4353(g), is empowered to issue citations, as necessary. Below we summarize the major elements of the Commission's responsibility and the MHPs' obligations under the statutory framework of §§ 4351-4361.

Section 4353(a) requires the Commission to perform an initial inspection that consists of review of the adequacy of the MHP's operations and maintenance plan, the annual report on the distribution system that the MHP must provide to the Commission pursuant to § 4354, and the MHP's records of leak surveys and repairs, corrosion control, and cathodic protection. Pursuant to § 4353(a)(4), a physical inspection must be performed "[i]f deemed appropriate from the review of the records." If a system demonstrates compliance, § 4353(b) requires its subsequent inspection at five year intervals thereafter, though annual inspections may be resumed if problems occur. If a system is non-compliant, § 4353(c) requires annual inspections to continue. However, if the problem is serious, such as a gas leak or other significant safety hazard, then the Commission must notify DOT, appropriate law enforcement, the utility that serves the master-meter, and the MHP operator (per § 4356(a)) and the Commission must direct the MHP operator to take immediate corrective action (per § 4356(b)). Section 4353(d) authorizes frequent inspections until the problem is corrected.

The operator of a MHP natural gas submeter system must maintain the following documents, pursuant to § 4354.5: "a map, drawing, or diagram" of the distribution system that shows the location of its main and service lines, master-meter, and key valves"; copies of all annual reports; and copies of all leak surveys as well as records of repairs, corrosion control, and cathodic protection.

(End of Appendix A)

Appendix B

Table 4-1: Common Case Cost Estimates - All Utilities
San Luis Rey Homes

	To The Meter (a)	SCE	PG&E	SoCalGas	SDG&E	SWGas	PacifiCorp	CalPeco	BVES
2	Civil / Trenching	2,822,956	2,274,550	1,466,390	3,375,432	123,953	1,031,699	1,162,294	1,007,166
3	Electric System								
4	Labor	395,752	592,076		180,253		360,000	224,226	320,830
5	Materials / Structures	342,143	378,540		184,671		221,284	332,133	255,753
6	Gas System								
7	Labor		253,612	361,108	590,672	161,332			
8	Materials / Structures		162,144	111,944	374,842	31,188			
9	Other	330,040	92,047					316,134	630,850
10	Contingency	712,170	750,594	387,898	941,174	63,295	367,638	343,731	442,920
11	Sub-Total To The Meter	4,603,061	4,503,563	2,327,390	5,647,044	379,768	1,980,621	2,378,518	2,657,519
12									
13	**Beyond The Meter (b)**	**SCE**	**PG&E**	**SoCalGas**	**SDG&E**	**SWGas**	**PacifiCorp**	**CalPeco**	**BVES**
14	Civil / Trenching	1,040,826	930,933			66,842			251,433
15	Electric System						844,337		
16	Labor	249,798	382,448		1,109,571				217,734
17	Materials / Structures	624,496	368,997		907,831				117,242
18	Gas System								
19	Labor		472,277	730,849	754,085	108,800			
20	Materials / Structures		301,947	215,870	225,247	22,400			
21	Other	132,135	77,422	47,200	114,456	45,012			189,281
22	Contingency	670,292	506,805	189,344	599,347	48,611	253,301		232,707
23	Sub-Total Beyond The Meter	2,717,547	3,040,829	1,183,263	3,710,537	291,665	1,097,638		1,008,397
24									
25	Total (Line 11 + Line 23)	7,320,608	7,544,392	3,510,654	9,357,581	671,433	3,078,259	2,378,518	3,665,916
26									
27	**Average Cost / Space**								
28	To the Meter (Line 11 ÷ 328)	14,034	13,730	7,096	17,217	1,158	6,038	7,252	8,102
29	Beyond the Meter (Line 23 ÷ 328)	8,285	9,271	3,608	11,313	869	3,346		3,074
30	Total (Line 25 ÷ 328)	22,319	23,001	10,703	28,529	2,047	9,385	7,252	11,177

(a) Utility specific cost details, notes, and explanations included in Section 3 of this report
(b) Incremental costs. Utility specific cost details, notes, and explanations included in Section 3 of this report

Note: Revised table reflects changes made at hearings and does not reflect costs clarified in testimony.
For SDG&E and SoCalGas, the revised costs above reflect the costs from the August 2013 testimony.

(End of Appendix B)

Appendix C

State of California
Public Utilities Commission

Application for Conversion of Master-Meter Service at Mobilehome Park or Manufactured Housing Community to Direct Service from Electric or Gas Corporation

CPUC ID: HCD ID: Due Date:

1 **Park/Community Property Name and Address**

California MHP
123 Common Street
Anytown, CA 94123
Phone: (415) 555-1234
E-mail: info@capark.com

Park/Community Property Owner Name and Address

Property Owner
123 Common Street
Anytown, CA 94123
Phone: (415) 555-1234
E-mail: info@capark.com

Do you intend on participating in the master-meter service conversion program? Yes ☐ No ☐
(If you do not intend on participating in the program then do not complete the rest of this application, but please sign where indicated below and mail the application to the CPUC in the enclosed envelope. Otherwise, you **MUST** complete and return the application per attached instructions.

Are any plans underway by above property owner and/or others to sell the property or convert land use? Yes ☐ No ☐
Total Spaces: _____Occupied Spaces:_____ Unoccupied Spaces:_____ RV Spaces:_____

Gas and Electric System Information

(Please attach additional pages as necessary)

Is there master-metered electric service at this property(Y/N)? ___ Intent to convert service(Y/N)?___ If yes, then:
Number of Spaces with Electric Service Meters: _____ Installation date of Electric System: _____Local Electric utility:_____
Predominant Amps per electric panel at each space: _____ Electric service is underground, over-head, or combination: _____

Is there master-metered gas service at this property(Y/N)? ___ Intent to convert service(Y/N)?___If yes, then:
Spaces with Gas Service Risers:_____ Installation date of Gas Systems:_____ Local Gas utility: _____
Gas system pressure (psi): _____ Locations of gas mains (i.e. yard easement or street): _____

Cathodic Protection system installed on gas system(Y/N):___ If yes, please indicate type of CP (Impressed/Sacrificial/Both):_____

Please indicate the length in feet of the following pipeline materials in your gas distribution system:
Coated Steel:_____ Bare Steel:_____ Polyethylene: _____ Polyvinyl Chloride (PVC):_____ Other:_____

Do you have a map of the master-metered gas or electric system(s)? Please specify what map(s) you have:_____

Is any part of the property currently provided with direct gas or electric service by the local utility? Yes ☐ No ☐
If yes, please provide details: Number of electric spaces directly served:_____ Number of gas spaces directly served:_____
If known, the date when the direct gas or electric system was installed:_____

Has any portion of the gas or electric system been replaced within the last 20 years? Yes ☐ No ☐
If yes, please provide details of the replacement and when it occurred:_____

Property Owner(s) Pledge

Upon execution of this application, I will maintain, or cause to be maintained, a record of all revenues from operation of the master-meter system(s) and all expenditures for operation and/or maintenance of said system(s) which I voluntarily elect to convert to direct utility service at the mobile-home park or manufactured housing community identified above. I pledge to use all such revenues only towards the operation and maintenance of said system(s) until conversion to direct utility service is complete.

I hereby declare under penalty of perjury that the foregoing information is true and correct to the best of my knowledge.

Signature: _____ Date:_____ Print Name and Title:_____

Note: Please mail completed application to the CPUC **AND** applicable local utility at the address shown in instructions.

(End of Appendix C)