

**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.

R.11-02-018  
(Filed February 24, 2011)

**MOBILE HOME PARKS AND MANUFACTURED HOUSING COMMUNITIES  
SERVICE TRANSFER TO ELECTRIC AND GAS CORPORATIONS**

**R.11-02-018**

**REPLY BRIEF OF PACIFIC GAS AND ELECTRIC COMPANY**

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**I. INTRODUCTION**

Pursuant to the November 6, 2012 directive of Administrative Law Judge (ALJ) Vieth and Rule 13.11 of the California Public Utilities Commission's (CPUC's) Rules of Practice and Procedure, PG&E files its reply brief in this matter.

The CPUC has considered the question of the maintenance, replacement and level of service of master-metered mobile home park (MHP) utility systems many times since its 1995 decision.<sup>1/</sup> Even the 1996 legislation,<sup>2/</sup> adopting a cost sharing arrangement whereby MHPs could transfer these systems to direct utility service, did not arrest the cycle of repeated complaint cases and investigations regarding master-meter system safety, reliability, service and costs. Meanwhile, MHP residents have continued to experience utility safety, reliability, capacity and service problems.

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<sup>1/</sup> D.95-02-090 [Regarding Rates, Charges and Practices of Electric and Gas Utilities Providing Service to Master-Metered MHPs]; R.03-03-017, I. 03-03-018, C. 00-01-017 [Rulemaking/Investigation to re-examine the MHP submeter discount]; D.03-10-068 *Colony MHP and WMA v. SCE, et. al* [MHP complaints regarding utility credits for electric system enhancements]; D.02-01-043 *Hambly v. Hillsboro Properties* [PUCode § 739.5 complaint over MHP rent increases]; D.00-04-013 *McKean v. El Portal Mobile Estates* [tenant complaint over rent increases to fund MHP electric system upgrades]; D.99-02-001 *Lamplighter HOA v. Lamplighter MHP* [tenant complaint over rent increases to fund MHP electric system improvements].

<sup>2/</sup> Assembly Bill 622 (1996, ch. 424 §1) Pub. Util. Code § 2791 et seq.

Recognizing the continuing master-meter utility service disparities and the failure of the current legislated cost sharing utility transfer approach, this Rulemaking was initiated to consider new approaches to convert master-metered MHP systems to direct utility service. In response, Pacific Gas and Electric Company (PG&E) and Southwest Gas Corporation (SWGAs) have offered a comprehensive utility conversion program open to all MHPs. This MHP conversion program completely, efficiently, and effectively resolves the issues in this OIR and eliminates the need for the Commission and parties to revisit the same issues in the future.

In contrast, the program proposed by Southern California Edison (SCE), San Diego Gas and Electric (SDG&E), Southern California Gas (SoCalGas), Bear Valley Electric Service (BVES), PacifiCorp d.b.a. Pacific Power (PacifiCorp), California Pacific Electric Company, LLC (CalPeco), The Utility Reform Network (TURN), and the Division of Ratepayer Advocates (DRA), collectively the “Joint Parties”, represents another version of the failed 1996 transfer program and is limited to just 10% of the MHPs. The proposal of the Joint Parties will not resolve the issues of this OIR.

## **II. SAFETY AND RELIABILITY**

### **The Joint Parties’ Misinterpret The Consumer Protection and Safety Division’s (CPSD’s) Comments Submitted in Support Of Assembly Bill (AB) 1694**

The Joint Parties suggest, based on an analysis by the Consumer Protection and Safety Division (CPSD) in support of AB 1694, that less than 10%<sup>3/</sup> of existing MHPs pose sufficient risk to warrant more frequent inspections.<sup>4/</sup> The Joint Parties conflate the analysis, provided in support of a more flexible, risk-based allocation of the CPSD’s utility inspection resources, to conclude that just 7% of master-metered MHP gas systems represent a potential hazard. While AB 1694 was intended to provide the CPSD with flexibility in allocating its scarce inspection resources, its passage in no way represents that the remaining 93% of master-metered MHP systems meet utility standards of safety, reliability, or capacity.

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<sup>3/</sup> Joint Parties opening brief, p. 4, shows 93% as the figure for MHPs that do not require increased inspections and there would be, therefore, 7% of existing MHPs that do require increased inspections.

<sup>4/</sup> Joint Parties opening brief, p. 3.

The essential fact remains that, as a general rule, the residents of master-metered MHPs do not enjoy the same utility system safety and reliability as those in MHPs served directly by the certificated utility.

The Joint Parties' concern over costs has apparently led them to design a MHP system conversion program that is not sufficiently aggressive in addressing safety and reliability issues. As articulated by the Golden State Manufactured Home Owners League (GSMOL), residents are forced to live in a MHP where system failure could be imminent, and service is compromised with power surges, brown outs, and black outs.<sup>5/</sup>

Meanwhile, the program proposed by PG&E and SWGas comprehensively addresses safety and reliability for both natural gas and electric systems and should be adopted as the model for MHP conversions.

### **III. PROGRAM COST AND COST ALLOCATION**

#### **A. Continuing MHP Owner Cost-Sharing Will Not Solve the Issues At Hand**

The current legislative mechanism to transfer master-metered MHP systems to utility ownership mandates a sharing of the costs by MHP owners.<sup>6/</sup> However, this cost sharing requirement has operated as a significant barrier to those transfers. Even the Joint Parties recognize that this cost sharing has not worked.<sup>7/</sup> Indeed, had the 1996 legislation worked, the need for this OIR would have been obviated.

Ignoring this history, the Joint Parties propose yet another version of the failed cost sharing mechanism – this time renamed a “limited credit.” As the Coalition of California Utility Employees (CCUE) appropriately points out, the record lacks any evidence to suggest the limited credit proposed by the Joint Parties will do anything but continue the unacceptable levels of MHP conversion to direct utility service<sup>8/</sup> and allow potential safety and reliability issues to

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<sup>5/</sup> GSMOL opening brief, pp. 4-5.

<sup>6/</sup> Public Utilities Code § 2791(b).

<sup>7/</sup> Joint Parties opening brief, p. 5.

<sup>8/</sup> CCUE opening brief, p. 7.

persist. GSMOL agrees noting that, absent adequate funding, including beyond-the-meter work, the goals of any MHP conversion program will be frustrated.<sup>9/</sup>

The Joint Parties claim that a hypothetical 100-space MHP would have received a little over \$240,000 through the master-meter discount over a 33-year period.<sup>10/</sup> The Joint Parties suggest that these funds would not have already been spent on the operation and maintenance of the MHP system during those 33 years and would, somehow, be available to fund the utility conversion cost sharing. At the same time, however, the Joint Parties have estimated the conversion cost for the same 100-space MHP at approximately \$3.2 million.<sup>11/</sup>

Under the Joint Parties proposal, this hypothetical 100-unit MHP would be required to pay \$1.33 million as its share of the to the meter cost and another \$1.09 million as the uncompensated share of the beyond the meter cost<sup>12/</sup> at the very moment when the MHP's future stream of revenues from both the residents' monthly utility payments and the flow of utility submeter discounts are terminated.

The testimony of the Joint Parties does not explain how MHP owners will finance MHP conversion costs above the \$8,000 (\$4,000 per commodity) credit proposed by the Joint Parties, or how the suggested \$240,000 remains a viable funding source. In addition, the Joint Parties offer no testimony that would support their contention that those 10% of the MHPs the Joint Parties propose to limit the MHP conversion program to are those most in need of utility conversion, and are the same MHPs that will even have access to the necessary financing.

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<sup>9/</sup> GSMOL opening brief, p. 5.

<sup>10/</sup> Joint Parties opening brief, p. 5.

<sup>11/</sup> PG&E/Fernandez Ex. 4, p. 3, lines 7-13.

<sup>12/</sup> *Ibid.*

## **B. The Joint Parties' Limited Credits and Cost Limitations Are Unworkable**

To date, none of the active parties in this proceeding have addressed the elephant in the room - that utility tariffs, authorized by state law and CPUC regulations, authorized MHP owners to install and operate master-metered gas and electric systems to serve MHP residents throughout the 1960's and '70s, and '80s, all the way until January 1, 1997.<sup>13/</sup> At the same time, these tariffs and legislation mandated that those MHP owners operate, maintain and replace those systems as necessary<sup>14/</sup> while charging MHP residents no more than the certificated utility would have charged and receiving no more than that utility's average avoided cost for directly served MHPs.<sup>15/</sup>

Today, we are living with the legacy of those past policies.

The Joint Parties criticize PG&E's proposed MHP conversion program for lacking a cost cap,<sup>16/</sup> despite the lack of any evidence demonstrating the cost caps and limited conversion credits proposed by the Joint Parties are sufficient to encourage MHP conversion to direct utility service.

PG&E, like SWGas and CCUE, is skeptical as to how, given the lack of evidence, the Joint Parties are able to assert the limited and "negotiated"<sup>17/</sup> conversion credit or the 10% cap on total MHP conversions will solve the safety and reliability issues articulated in this OIR. Although program cost caps and credit limitations may protect ratepayers, they will most certainly continue the status-quo of inherently unequal utility safety, capacity, and reliability for master-meter MHP residents.

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13/ Electric Rule No. 18.

14/ Public Utilities Code § 739.5(d).

15/ Public Utilities Code § 739.5(a).

16/ Joint Parties opening brief, p. 9.

17/ SWGas opening brief, p. 8. See also CCUE opening brief, p. 6-7.

The CPUC should reject the Joint Parties' limited approach and adopt a conversion program that is open to all MHPs without cost-sharing, program participation limits, or annual spending caps.

**C. The Joint Parties' Statewide Program Cost Estimate Contains Factual Errors and Ignores Sensible Cost Assumption Alternatives**

The Joint Parties assert that a statewide program similar to the one proposed by PG&E represents a \$7.3 to \$10 billion policy.<sup>18/</sup> This suggestion is inaccurate<sup>19/</sup> and purposely exaggerated.

In constructing its statewide estimate, the Joint Parties assume only the most extreme parameters for individual cost components (e.g., a perfect 100% MHP participation rate) in support of their \$7.3 billion cost and offer no definitive analysis to support their claim of a \$10 billion statewide cost.<sup>20/</sup> For purposes of a sensitivity analysis, a more sensible approach would include the use of more realistic cost assumptions.

For example, the Joint Parties' cost estimate assumed all 4,905 MHPs and all of the approximately 400,000 MHP spaces would choose to convert. Even in their own opening brief, however, the Joint Parties recognize that not all MHPs will want to participate.<sup>21/</sup> If, for purposes of this sensitivity analysis, one were to assume that 64% of the MHPs participate as suggested by the Joint Parties,<sup>22/</sup> the total statewide estimate is reduced from \$7.3 billion to approximately \$4.5 billion.

PG&E's original estimate assumed all MHPs are dual-commodity. In fact, only half of

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<sup>18/</sup> Joint Parties opening brief, p. 11.

<sup>19/</sup> The Joint Parties opening brief, p. 12, Table 1 contains computational errors. For example, the Joint Parties incorrectly estimate the number of spaces by commodity for PG&E, SoCalGas, SDG&E, SWGas, PacifiCorp, CalPeco, and BVES. The Joint Party calculated "Estimated Number of Spaces by Commodity" in Table 1 should match the "Total Number of Spaces" provided by each IOU in Exhibit 15, page 3; however, it does not which results in a questionable total cost.

<sup>20/</sup> Joint Parties opening brief, p. 10.

<sup>21/</sup> Joint Parties opening brief, p. 4, fn. 8.

<sup>22/</sup> DRA, Exh. 16, p. 3. Question 19: 212 of 592 respondents (36%) indicated that they are not interested in a transfer to direct utility service.



PG&E's MHPs have both gas and electric service,<sup>23/</sup> the remainder are single commodity parks.<sup>24/</sup> If one were to assume the cost to convert a single commodity MHP is approximately 2/3 that of a dual commodity MHP, the statewide cost is further reduced from \$4.5 billion, to approximately \$3.8 billion.

If this, more sensible, approach is used to extrapolate a total MHP conversion program cost, the statewide estimate is approximately \$3.8 billion, not the \$7.3 to \$10 billion bandied by the Joint Parties.

However, PG&E appreciates that it is precisely this uncertainty in future program costs that has persuaded all parties to this proceeding to advocate for full recovery of actual costs through the use of new two-way balancing accounts to appropriately balance ratepayer and utility interests.<sup>25/</sup>

**D. The Joint Parties Inaccurately Portrayed Beyond-the-Meter Responsibilities and Worry About Non-Existent Risks**

The Commission and parties have recognized that a unique and creative solution is required to address the safety and reliability issues at master-metered MHPs and encourage conversion of such MHPs to direct utility service.<sup>26/</sup> Instead of thinking creatively, however, the Joint Parties have taken an outdated stance on utility infrastructure asserting that MHP owners and residents should assume all costs beyond-the-meter. The Joint Parties argue that having utilities provide a funding mechanism for MHP owners' work beyond-the-meter puts utilities in a position of assuming some undefined risk.<sup>27/</sup>

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<sup>23/</sup> DRA, Ex. 15, p. 2.

<sup>24/</sup> Coincidentally, as noted in DRA Ex. 2, the percentage of dual-commodity MHPs for PG&E and SDG&E is approximately 46%.

<sup>25/</sup> PG&E opening brief, p. 7, fn. 23.

<sup>26/</sup> Prehearing Conference Tr. Volume 1, p. 4, lines 3-6.

<sup>27/</sup> Joint Parties opening brief, p. 13.

This concern is unfounded. For years, electric utilities have provided funding for beyond-the-meter improvements as part of the Rule 20A electric undergrounding program.<sup>28/</sup> Similar to the approach offered by PG&E and SWGas, this beyond-the-meter work is performed by licensed contractors selected by the property owner. No utility is held liable simply because it has provided funding for beyond-the-meter work under Rule 20A.

Borrowing from this Rule 20A experience, PG&E and SWGas have risen to the Commission's challenge in this OIR and have proposed to act as a pass-through for funds; the MHP owner will work with a licensed contractor to perform and warranty work beyond the meter, the MHP owner will retain ownership and maintenance responsibilities<sup>29/</sup> for the beyond-the-meter facilities, and will indemnify the utility while the safety of MHP residents is addressed by leveraging existing inspection processes. Despite the Joint Parties' claim, the demarcation point remains clear with work and facilities beyond-the-meter continuing to be the responsibility of the MHP.

PG&E and SWGas' proposed MHP conversion programs remove the financial barriers that have historically prevented MHP owners from participating, maintain utility and MHP ownership clarity, and ensure MHP resident gas and electric service delivery points are properly sized to correct capacity and reliability problems and are inspected and approved to assure resident safety in advance of service cut-over without imposing additional, unfunded, obligations on MHP owners and residents or risk to the utility.

#### **IV. MOBILE HOME PARK PRIORITIZATION**

##### **The Joint Parties Prioritization Proposal Will Not Complement AB 1694 and Is Incomplete**

The Joint Parties claim their proposed prioritization approach compliments AB 1694;<sup>30/</sup>

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<sup>28/</sup> Electric Rule 20.A.3; "Upon request of the governing body, [the utility] will pay... for the conversion of electric service panels to accept underground service, up to \$1500 per service entrance, excluding permit fees." Advice Letter 1930-E (December 7, 1999).

<sup>29/</sup> GSMOL opening brief, p. 5, agreeing that once installed, ongoing maintenance of the beyond-the-meter facilities will be the responsibility of the MHP owner.

<sup>30/</sup> Joint Parties opening brief, p. 14.

however, the Joint Parties' proposed prioritization approach will actually frustrate the achievements of AB 1694 by focusing on gas service conditions only, again over-taxing scarce Commission resources.

The Joint Parties' proposed prioritization approach will require increased MHP attention from the Commission's scarce inspection resources to complete the initial inspection mandated by AB 1694, and to determine whether a MHP qualifies for the limited 10% of MHPs that will be eligible for the conversion program— all of this under an accelerated schedule to ensure some MHPs are actually converted in the 5-year time frame proposed by the Joint Parties.

Furthermore, the Joint Parties prioritization approach focuses exclusively on the gas system and ignores electric service safety and reliability.

In contrast, the prioritization approach proposed by PG&E and SWGas allows sufficient time for Commission resources to inspect, prioritize, and work with the utilities on MHP conversion program candidates and considers both gas and electric systems. More importantly, because the conversion program proposed by PG&E and SWGas is not limited to just 10% of MHPs, but offers to convert all MHPs, the priority will be to focus on which MHPs should be converted to direct utility service first, and not which 10% of MHPs should be eligible at all.

## **V. CONCLUSION**

This OIR was created out of the recognition that residents of master-metered MHP systems are subject to more problems, questionable reliability, and less capacity than similarly situated residents in directly served MHPs, that the 1996 MHP transfer legislation<sup>31/</sup>, with its mandate of MHP owner cost sharing, has failed to work and that these programs should be replaced with a new policy framework that would, within a reasonable time, eliminate this inherently unequal provision of utility service.

As shown by the testimony and opening briefs of PG&E, SWGas, WMA, CCUE, GSMOL, and San Luis Rey Homes (SLRH), the proposal of the Joint Parties fails to fully

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<sup>31/</sup> Public Utilities Code § 2791-2799.

address the issues identified in this OIR and adds unfortunate and unnecessary constraints that will result in MHP residents never attaining the safety and reliability benefits of direct utility service. The Joint Parties' proposal is a slightly more generous credit than found in the 1996 transfer legislation, but that credit is artificially limited to just 10% of the state's approximately 500,000 MHP residents and provides no credit or funding to replace old an inadequate service connections so MHP residents will receive the full benefits of conversion to direct utility service. As such, the Joint Parties' proposal is destined to achieve the same dismal results as the 1996 MHP transfer legislation.

PG&E is convinced that a voluntary MHP conversion program should eliminate unnecessary barriers to entry. PG&E and SWGas' proposal facilitates the transition of master-metered MHPs to direct utility service as soon as practicable.

The Commission should approve PG&E's MHP conversion program as proposed.

Respectfully submitted,

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