

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF
CALIFORNIA**

Rulemaking into Transfer of Master-Meter/Submeter
systems at Mobilehome parks and Manufactured
Housing Communities to Electric and Gas
Corporations.

R. 11-02-018

**REBUTTAL TESTIMONY OF RICHARD J. McCANN ON BEHALF OF THE
WESTERN MANUFACTURED HOUSING COMMUNITIES ASSOCIATION**

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1 **Q1 Please state your name and the purpose of your testimony.**

2 My name is Richard J. McCann. This testimony responds to the direct testimony of
3 Southern California Edison (SCE), San Diego Gas and Electric (SDG&E), Southern
4 California Gas Company (SoCalGas), Bear Valley Electric Service (BVES), PacifiCorp d.b.a.
5 Pacific Power (PacifiCorp), California Pacific Electric Company, LLC (CalPeco), The Utility
6 Reform Network (TURN), and the Division of Ratepayer Advocates (DRA), collectively the
7 “Joint Parties.”

8 **Q2 Have the Joint Parties adequately addressed the intended purpose of this Rulemaking**
9 **in their proposal?**

10 No, the Joint Parties have not stated how their proposal will deliver the intended
11 benefits through the limited scope of their proposal. The Joint Parties statement of the
12 objective as to “encourage more conversions of master-metered mobilehome parks and
13 manufactured housing communities (MHPs) to direct utility service” never explicitly lists
14 the reasons the Commission wants to provide greater encouragement.¹ The Joint Parties
15 testimony nowhere contains a discussion of how its proposal will ensure reaching the
16 vast majority of submetered tenants with utility service given the limited scope,
17 duration and support specified in their proposal. Nor does it address how the program
18 will continue after the initial five years—it does not provide a mechanism for review nor
19 a set of standards for review.² The Joint Parties provide no analysis of whether the cost
20 cap is sufficient to attract participation in the program and no analysis of how the Joint
21 Parties arrived at the proposed cost cap. As presented, the proposal lacks meaningful

¹ Joint Parties, October 5, 2012, p. 1.

² Joint Parties, Data Request CCUE-001, Question CCUE-7.

1 incentives or sufficient compensation tools to achieve the Commission's policy goals.
2 Given that it ignores the park owner in a state of readiness to transfer their system, it
3 also bypasses current customers who are motivated and most financially able to
4 successfully implement this program from the outset.

5 **Q3 What are the expected benefits from the program that the Joint Parties should**
6 **address in developing their proposal for this Rulemaking?**

7 State policy favors providing directly metered gas and/or electric service through
8 investor-owned host utilities over master metered service provided by mobilehome
9 park owners. This has been the state's intent since the master-meter rates were closed
10 in 1981, and reiterated in 1996 with the passage of AB 622.

11 System conversion from master metered service to direct gas and electric service
12 benefits all stakeholders. Mobilehome park owners and residents would benefit from
13 converting the gas and electric service, as well as the associated safety and regulatory
14 obligations, to the investor-owned utilities.

15 Conversions would result in service, safety and cost consistency to resident residents.

16 For residents of a small minority of parks, safety risks will decline and reliability will
17 improve. For a larger group, capacity to add more appliances, particularly for electric

18 ones, will increase. And importantly, community residents in master metered parks

19 currently are unable to participate in and access important state and utility public

20 purpose and load management programs such as low income energy efficiency (LIEE),

21 California Solar Initiative (CSI), advanced metering infrastructure (AMI) and demand

22 response activities since they are not utility customers and therefore, are ineligible. For

1 example, once the master metered utility system is taken over by the serving utility, any
2 new automatic metering infrastructure, particularly the type that requires bi-directional
3 communication, can be extended to these customers. The Commission has explicitly
4 ruled out participation by master-meter customers and submetered tenants in the
5 Multifamily Affordable Solar Housing (MASH) program, and the various “smart
6 metering” time of use pricing programs. LIEE reports filed by program administrators
7 consistently show significantly lower income support program participation in CARE and
8 FERA by submetered tenants compared to directly-metered customers. These tenants
9 will be able to start realizing the benefits from the public purpose programs that they
10 now pay into but from which they cannot receive benefits.

11 For community owners, providing electric and gas service has become increasingly
12 expensive and complex given the plethora of program changes and billing determinants.
13 Further, the growing steepness of residential rate tiers is increasing disparity among
14 individual communities in the realized aggregate master meter discounts. The result is
15 that mobilehome parks with many low-income CARE/FERA customers see the total
16 effective differential becoming lower and in some cases negative, i.e., the total park bill
17 paid to the utility is larger than the revenues collected from residents.

18 The utilities would benefit as well. Utilities are guaranteed recovery of any costs to
19 acquire, improve, upgrade, operate and maintain converted mobilehome park gas and
20 electric systems in their revenue requirements. Conversions would allow the utilities to
21 spread their fixed metering and billing costs to a wider base of customers, in excess of
22 330,000 added gas and electric customers, thus decreasing overall rates.

1 The Joint Parties have not shown how limiting the program to 10 percent of the
2 candidate submetered spaces moves the Commission towards providing universal direct
3 service for this customer group.

4 **Q4 Is there a danger that a limited program could exacerbate the current problems?**

5 The Joint Parties proposal ignores the reason for the urgency in this Rulemaking. Most
6 master-metered systems are reaching the end of their useful lives as they were built in
7 the 1960s and 1970s.³ The Commission’s recent survey of MHP owners found a
8 surprising number who have already replaced their systems.⁴ That trend will only
9 accelerate as these systems age.

10 The Joint Parties never address the question of whether MHP owners ready to either
11 convert or replace should wait for the utility to convert or to proceed on their own to
12 replace. If a MHP owner cannot get into the program is that owner supposed to replace
13 it with another master-metered system that will last yet another 40 years? Their
14 proposed limited solution only creates unwanted delays in system conversions for
15 decades.

16 **Q5 The stated intent of the Joint Parties’ proposal is to target systems that have safety**
17 **problems. Will their proposal accomplish this stated objective or is so poorly designed**
18 **that it is unlikely to convert more than a few of the targeted systems?**

19 In responses to Data Request CCUE-001, Question CCUE-1, the Joint Parties stated,
20 “(t)he 10% cap was a negotiated number which Joint Parties felt best balanced these

³ The closure of the master-meter schedules in 1981 by the Commission also effectively ended the construction of new master-metered systems. Some of these systems have seen been replaced, but WMA is aware of only a small percentage among its membership.

⁴ CPUC Energy Division, “Summary of Responses: Questionnaire to Mobilehome Parks And Manufactured Housing Communities,” Preliminary Report, August 10, 2012, Q.12.

1 two priorities, yet is sufficient to capture the 7% of mobile home parks that may need
2 increased inspection frequencies as recommended by the CPUC in support of Assembly
3 Bill 1694.” The Joint Parties then state in response to Question CCUE-9(a), “(t)he gas
4 system safety and reliability should be the primary criterion used to determine
5 prioritization.”

6 With no supporting evidence or rationale, the Joint Parties believe that the MHP
7 systems that will come forward to participate in the program are the same ones that
8 currently are identified by the Consumer Protection and Safety Division (CPSD) as
9 necessitating increased inspection. The Joint Parties proposal has no other means of
10 attracting the higher risk MHPs so that it is likely to have any correspondence between
11 the 7 percent identified by CPSD and the 10 percent who may participate in the
12 conversion program.

13 The Joint Parties have failed to recognize two important realities that will confound the
14 stated intent of their program cap. Based on discussions with CPSD staff at the previous
15 workshops, the MHPs experiencing gas-safety issues are more likely to have utility
16 management issues. Combined with the cost caps, as I will discuss, these MHPs will be
17 the *least* likely, not most likely, to apply for the program. For the parks that will initially
18 participate in this program, the reality is they will have the owners that are the most
19 financially sound and most prudent in maintaining their master-meter systems today.
20 There is only possible conclusion from this situation: To convert the riskiest systems,
21 the program must attempt to convert as many systems as possible.

1 **Q6 Will the cost cap adversely impact the ability to convert those systems most at risk for**
2 **gas system safety problems?**

3 The Joint Parties state in response to Data Request CCUE-001, Question CCUE-2(a) “(f)or
4 gas, it was agreed the credit should cover most of gas installation and gas trenching
5 costs to foster safety.” However, as shown in the various utility submittals in this
6 proceeding, most of the master-metered gas systems are joint utility systems that
7 master-meter electricity as well. Any program will require that both gas *and* electric
8 utility systems will need to be converted at the same time. So if the Joint Parties intend
9 to “foster safety” for gas systems by covering “most” of the cost, then the program also
10 must cover the costs for converting the electricity system as well. If an MHP owner who
11 is already having difficulty maintaining system safety and reliability at current
12 expenditure levels is going to be willing to convert, covering the costs for the *full*
13 conversion, not just half or less, will be a necessary incentive. The Joint Parties proposal
14 fails in this aspect and is unlikely to achieve any success in this way.

15 The second problem is that the Joint Parties have somehow interpreted Table 4-1 of the
16 Exhibit 1-Joint Cost Report as showing the cost per space for converting a single
17 example MHP system to be \$4,000 per space.⁵ In fact, estimated costs for installing the
18 gas systems range from \$3,400 to \$6,900 per space for the larger IOUs. Table WMA-1
19 shows the estimated costs by utility by system type, before and beyond the meter,
20 before adding contingencies. The fact is that the Joint Parties have no analytic basis for

⁵ Joint Parties, Data Request CCUE-001, Question CCUE-2(a).

1 their cost cap—it has no actual relationship to the data that it purports to rely on and
 2 the Joint Parties provide no information on how they adjusted the actual data.

3 **Table WMA-1 Summary of Estimated Costs by System Type**

	<u>SCE</u>	<u>PG&E</u>	<u>SoCalGas</u>	<u>SDG&E</u>	<u>SWGAs</u>	<u>PacifiCorp</u>	<u>CalPeco</u>	<u>BVES</u>
<u>Electricity</u>								
To the Meter	11,862	8,011		5,029		4,918	6,204	NA
Beyond the Meter	6,242	3,805		5,877		2,574	NA	2,365
Total	18,104	11,816		10,906		7,492	6,204	2,365
<u>Gas</u>								
To the Meter		3,431	6,057	6,926	965			
Beyond the Meter		3,921	2,207	2,145	741			
Total		7,352	8,264	9,071	1,706			

4
 5 The Joint Parties further ignore the evidence provided by WMA in Exhibit 1 showing full
 6 costs for two actual park conversions (not estimates) where the electricity costs are
 7 substantially higher than the costs for the gas system. As shown in Table WMA-1,
 8 electricity costs are much higher than gas costs, and that difference will be a substantial
 9 barrier for MHPs to agreeing to join.

10 The final barrier is the risk to MHP owners evident in the proposal that if *unexpected*
 11 trenching costs occur, the MHP owner is liable to cover costs beyond the cost cap. The
 12 MHP owner faces the risk that the utility will pull out of a partially finished project with
 13 no recourse specified of how the project will be closed and/or remediated. With such
 14 cost exposure, few MHP owners would be willing to run that risk, particularly those that
 15 are already reluctant to spend the funds needed to maintain their existing gas systems.
 16 In addition, the MHP tenants could face the safety risks posed by open trenches and
 17 unfinished work if the construction project is abruptly halted. The Joint Parties have not

1 fully considered the full implications of their proposal and adverse consequences to not
2 only MHP owners, but tenants as well.

3 **Q7 Are the Joint Parties in fact requiring *de facto* that program participants replace their**
4 **“beyond the meter” electricity facilities to be eligible?**

5 Yes. In response to Data Request CCUE-001, Question CCUE-10(a), the Joint Parties
6 stated, “(t)he utilities do not require any work by the MHP beyond being ready to
7 connect at an acceptable service delivery point. The MHP may want to upgrade its
8 service capabilities during the conversion.” Then in response to Data Request CCUE-
9 001, Question CCUE-11, the Joint Parties state, “(t)he 100 amp minimum service level
10 for each mobile home will be a condition of the proposed new Rule for acceptance into
11 the conversion program.” Yet the Commission’s survey of MHPs confirmed WMA’s
12 understanding that the vast majority of systems are less than 100 amps.⁶ All of these
13 systems would have to replace their systems to be eligible—that choice would not be at
14 the MHP owner’s discretion. The Joint Parties do not acknowledge that this
15 requirement is an additional non-discretionary expense, and make no provisions for
16 how this will impact the incentives to participate.

17 **Q7 How should program limitations, if any, be structured contrary to the Joint Parties’**
18 **proposal?**

19 The Joint Parties have provided neither a policy nor an analytic basis for either the cap
20 of 10 percent on submetered spaces or limiting the program to five years other than
21 alluding to negotiations among the Joint Parties themselves (who do not represent the

⁶ CPUC Energy Division, Q.5.

1 full set of State interests in this proceeding and thus cannot represent their position as
2 one that fully balances all interests).⁷ The Joint Parties' testimony does not discuss what
3 would happen after five years. While reviewing the program after five years is probably
4 a very useful task, any review of the program must be premised that the default
5 outcome is continuation of the program, not that the Commission must proactively
6 decide to continue it past five years. In other words, the program should be designed so
7 that the Commission must definitively act to end the program rather than acting to
8 continue it. Including such a default will give the program sufficient certainty for MHP
9 customers to view it with substantial confidence.

⁷ Joint Parties, Data Request CCUE-001, Questions CCUE-1 and CCUE-5.