



ANALYSIS
(Revised 6/10/09)

**CALIFORNIA PUBLIC
UTILITIES COMMISSION**

AB 1108 (Fuentes) – Master-Meter Customers
(As Amended June 29, 2009)

SUMMARY

This bill in its present amended form would require the CPUC to open a Rulemaking by Jan 1, 2010 to set terms for transferring the ownership and operation of gas and electric sub-metered systems from owners of mobile home parks (MHP) to the serving IOU. The CPUC would set the terms to balance residents' interests in better service from IOUs with the added cost to ratepayers resulting from utility ownership and correcting deferred maintenance and upgrades.

By Jan 1, 2011, based on terms developed in the proceeding, the PUC would adopt a standard contract for expedited transfer.

Transfers of MHPs with unsafe or substandard conditions will be prioritized, and all completed by Jan 1, 2016.

Until the ownership of the electric sub-metered system transfers to the utility, the bill authorizes the Commission to, after an investigation, order that the portion of the submeter discount intended for maintenance and repair, be held in trust. IOUs may, over two rate case cycles, put in rates the reasonable costs of acquiring, maintaining and upgrading the MHP systems.

The bill now excludes MHPs in the service territories of the publicly owned utilities (POUs).

CPUC POSITION AND SUPPORTING ARGUMENTS

Oppose unless Amended. The bill should be amended to remove the CPUC's enforcement role pending the transfer of ownership of the MHP sub-metered systems to the utilities. The Department of Housing and Community Development (HCD) has existing authority and responsibility to enforce compliance by the MHPs. To strengthen the HCD's enforcement authority, the bill should include language that the HCD can petition the CPUC for withholding of the discount meant for maintaining the system. Upon that petition, the CPUC can issue an order to the utility to withhold that discount.

If the withholding authority is granted to the utility upon a complaint by the HCD as explained above, there is no need for direct enforcement by the CPUC.

The CPUC also has a concern that one year is too tight a time frame to complete two proceedings - a Rulemaking to address all the issues involved in the transfer and another proceeding to adopt a standard contract that could be used to expedite the

transfers. **The Jan 1, 2011 deadline should be amended to Jan 1, 2012 to allow the CPUC sufficient time to implement the transfers properly.**

As of last year, we show approximately 2,560 master-metered natural gas parks in California. However, it is unclear how many of these also have master-metered electric service, and this number does include parks with only master-metered electric systems. Overall, the total number of master-metered gas and electric systems may be 3000 or more. This would mean that in order to complete all the transfers within 4 years (i.e., by January 1, 2016), approximately 63 systems/month would have to be transferred (ignoring weather conditions, resources allocated to storms, and assuming ideal working conditions for each month within those 4 years). If weather conditions are considered, 4 months are conservatively eliminated for production from each year. Under this scenario, the transfer rate would have to increase, to 94 systems transferred/month instead of 63, in order for utilities and the CPUC to meet the 2016 deadline.

Utilities may not have the resources to complete even 63 transfers/month much less 94 transfers/month. These would be split amongst the 4 largest operators and that not all master-metered systems are the same size, or would require the same amount of resources or time to complete. **The January 1, 2016 deadline should be amended to January 1, 2019 to allow a minimum of 6 years to complete the transfers.**

DETAILED ANALYSIS OF BILL'S PROVISIONS:

- The bill expands the CPUC jurisdiction to include enforcement of MHP owners to maintain their electric submeter infrastructure.
- Should the PUC find in a proceeding after investigation that maintenance was lacking, this bill would require the CPUC to act as a trustee and administer a trust accounts to pay for maintenance found lacking. This bill would place increasing numbers of master-metering customers under direct PUC jurisdiction following PUC findings of failure to repair or maintain submetered facilities. CPUC would be reviewing and performing enforcement to ensure the funds were spent by the landlords on the upkeep of the sub-metering systems. It would place administration of their individual accumulated discount funds under PUC and staff supervision.
- Gas service or maintenance complaints are rare. Electric service complaints of low voltage or outages typically do not stem from poor maintenance of the sub-metering system. Usually, they are due to the MHP load growing beyond its initial design capacity. This is not a maintenance issue, but a system adequacy and upgrading issue.
- CPUC staff is not aware that lack of submetering system maintenance is a significant problem though lack of system capacity may be; it appears that establishing trustee accounts is unlikely to reduce complaints about system performance. This bill does not define maintenance or establish a goal, but concludes that reports of poor service by residents served by submetered gas

and electric distribution systems in mobile home parks (MHPs) are due to a lack of maintenance.

- In addition, the cost of administering the bill could be high. It is likely that the CPUC could find few master-metering customers subject to the bill for failing to maintain their systems, but identifying those few instances would be labor intensive for the CPUC to conduct those investigations.
- The Commission already has an effective gas safety program required by code, and CPUC staff believes that electrical reliability and safety problems in mobile home parks have more to do with inadequate capacity than with lack of maintenance. Discount revenues should not and could not fund electric submeter system capacity upgrades.
- The CPUC is authorized by federal law to enforce federal pipeline safety standards for MHP operators. Inspections must occur no less than every five years. If the operator does not demonstrate compliance, they may be inspected on an annual basis. There are currently 18 inspectors for both gas and electric inspections of utilities, including the responsibility of MHP gas inspections.
- In 2004, the CPUC adopted Decision 04-04-043, which identifies the categories of costs the electric and natural gas utilities incur when directly serving MHP tenants that are avoided by the utilities when the MHP is served through a distribution system owned by the MHP owner (sub-metered MHP). These categories of costs are to be used in determining the amount of the discount provided by the utility to the sub-metered MHP owner as reimbursement for the cost of providing sub-metered service.
- Earlier this year, Decision 09-02-030 ordered Southern California Gas to accept the transfer of Harbor City Estates' submeter gas system. Harbor City operates and maintains the system, which serves 192 spaces in a MHP in Harbor City, California, with SoCalGas providing the master meter gas service.
- Public Utilities Code Section 739.5 g requires the commission to accept and respond to complaints through the consumer affairs branch. In responding to the complaint, the commission shall consider the role that the office of the county sealer in the complainant's county of residence may have in helping to resolve the complaint and, where appropriate, coordinate with that office.
- This bill may involve overlapping of authority with the Department of Housing and Community Development that currently has electrical safety jurisdiction in mobile home parks.

LEGISLATIVE HISTORY :

AB 622 (Conroy), Chapter 424, Statutes of 1996, required gas and electric corporations to assume ownership of master-metered systems in mobile home parks upon the completion of a specified process. AB 622 required the mobile home park owner to pay

the costs of an engineering evaluation and the costs of upgrading the system. Some mobile home park owners claim that the AB 622 requirements have made the transfer of the systems cost-prohibitive. AB 1108 repeals the AB 622 requirements and instead requires that the utilities assume ownership of these systems under terms to be determined by the PUC.

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