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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)

ASSIGNED COMMISSIONER'S AMENDED RULING AND SCOPING MEMO

1. Summary

This amended ruling and scoping memo follows the fifth prehearing conference held on April 18, 2012; it (1) amends the prior scoping memo to provide further scoping guidance and (2) updates the procedural schedule.[1]

2. Procedural Overview and Status Update

On November 2-3, 2011, the assigned Administrative Law Judge (ALJ) facilitated workshops where parties summarized the contents of the proposals they had filed in October and engaged in discussions about those proposals.[2] At

[1] *Assigned Commissioner's Ruling and Scoping Memo,* May 11, 2011 (initial scoping memo).

[2] For the workshop agenda and copies of PowerPoint presentations, see: http://www.cpuc.ca.gov/puc/energy/mhp.htm

the fourth prehearing conference (PHC), rescheduled several times and then held on January 17, 2012, the parties requested time to continue their discussions and to explore the potential for settlement. The parties recognized that they needed to do additional work to better estimate the potential costs of replacing master-metered natural gas and electricity service with direct utility service at mobilehome parks and manufactured housing communities (collectively, MHPs) located within Commission-regulated utility service territories.[3] Thereafter, Pacific Gas and Electric Company (PG&E) and Southwest Gas (SWGas) noticed a settlement conference for March 8-9, 2012.[4]

The recent April 18, 2012 PHC provided an opportunity for a status update. PG&E, SWGas, Western Manufactured Housing Communities Association (WMA) and San Luis Rey Homes reported that they are in general agreement on the major terms for a comprehensive proposal to convert master-metered/submetered service to direct utility service.
San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company indicated that they differ with the four settling parties on at least one major issue, and Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) indicated that they have additional concerns, at least at this time.

Procedurally, PG&E stated that it would like to bring its proposal before the Commission by means of a motion, with prepared testimony attached in

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[3] *See generally*, PHC Tr., January 17, 2012.

[4] *Notice of Settlement Conference by Pacific Gas and Electric Company and Southwest Gas Corporation*, February 14, 2012; *Amended Notice of Settlement Conference by Pacific Gas and Electric Company and Southwest Gas Corporation*, February 15, 2012.

support; PG&E indicated that it would be ready to file such a document by July 13, 2012, and proposed that non-settling parties then comment on that settlement and/or offer one or more alternative settlements. Other parties viewed that timeline as too short, and requested additional time, variously, for discovery (particularly on costs) or so that they might continue negotiations. Conceptually, I suggested that rather than entertaining competing settlements, the Commission might be better served by calling for prepared testimony on the parties' revised proposals, and then holding hearings as necessary. I indicated that aligned parties should develop joint prepared testimony. In response to my conceptual suggestion, DRA and TURN proposed distribution of initial prepared testimony in September of this year and rebuttal testimony, in November.

3. Further Scoping

3.1. Report on Estimated Costs of Master-Meter Conversion

Some of the party presentations at the November 2011 workshop attempted rough estimates of the cost of converting MHP master-meter service to direct utility service. The ALJ suggested and the parties agreed to constitute an informal working group to examine costing issues further. At the PHC in January of this year, PG&E reported that the costing effort was still under way; at the most recent PHC, PG&E reported that the largest utilities had engaged in a common exercise to estimate conversion costs, using the same urban park as a sample. WMA represented that it had done some additional work on costs, also.

Before the Commission can endorse any approach that might resolve this rulemaking, it will need to develop a record on conversion costs. The lack of such cost estimates/projections was apparent from the outset, it has been an ongoing issue of discussion, and it is likely that either the magnitude of the

potential costs of conversion, or the uncertainty of those cost, or both, will shape some parties' recommendations.

Estimating conversion costs is not an easy undertaking. For one thing, no single MHP database exists and some MHPs have more than one master-meter.[5] That makes identifying and then eliminating duplicate counts difficult (duplication is possible, for example, where one utility provides natural gas service and a different utility provides electric service). Another complication is that individual MHPs present unique conversion issues based upon numerous factors including age, size, the initial construction methods, and geographic location. Additionally, utilities use somewhat different estimating procedures/methods.

As a next step, therefore, I direct the utilities, WMA, and any other active parties interested in this issue, to work jointly to develop a single report that identifies cost estimates for converting master-meter service to direct utility service, using at least one common case study. If more than one common case study can be developed, given constraints on time and other resources, the additional example(s) should be included in the report. The report will serve a purpose conceptually similar to a comparison exhibit in a general rate case. While I leave it to the active parties to mutually determine the full range of information provided in the report, at a minimum, it should identify the following for each case study:

- the number of units or spaces in the MHP;

[5] See discussion in *Order Instituting Rulemaking into Transfer of Master-Meter/Submeter Systems at MHPs*, R.11-02-108 (OIR), at 10.

- the breakdown of cost components (whether labor or materials) as estimated by each party with costing expertise, and separate subtotals for all construction up to the new meter (commonly referenced as "to the meter") and from that meter to the MHP coach (commonly referenced as "beyond the meter");[6]
- comparative cost estimates for different construction types (such as overhead versus underground electric); and
- an estimate, where applicable, of the cost efficiencies gained by the concurrent conversion of gas and electric master-meter systems at the MHP rather than their separate replacement at different times.

In addition, the report should identify and discuss any factors that increase or decrease cost efficiencies relative to MHP size, and should estimate the impact for several characteristic MHP sizes, which the active parties should define (for example, small [perhaps 50 coaches or fewer], medium, and large).

Finally, the report should provide actual conversion costs (please use 2012 dollars and explain how that figure has been derived) for all MHP conversions since 1997 in the California service territories of the reporting utilities, to the extent such conversions have occurred. To make this data more useful, this portion of the report should state the size of each converted MHP, its age at conversion (if known), the nature of the construction undertaken (such as overhead versus underground electric), who did the work (utility, MHP owner, or other entity), and a breakdown of the materials and labor costs incurred.

The report, however titled, should be identified as Exhibit 1 for this rulemaking and should be served on the service list. I will ask that the ALJ

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[6] Parties should explain how they define both terms.

receive the report in evidence as Exhibit 1. Workpapers on which the report relies should be subject to discovery by other parties to this rulemaking and no party should assert that Rule 12.6 of the Commission's Rules of Practice and Procedure, which governs settlement confidentiality, bars reasonable discovery of the workpapers.

3.2. Concurrent Prepared Testimony

The report on costs should be followed by concurrent prepared testimony, in two rounds – direct and rebuttal. I urge parties to continue to negotiate and urge development of joint prepared testimony where parties' interests align. It is clear that some parties' proposals have evolved beyond the preliminary proposals they filed last October and all prepared testimony should focus on the proposal(s) that the sponsoring party or parties support now. All prepared testimony should include an overview or summary that describes the main elements of the conversion proposal.

As a threshold matter, prepared testimony should explain how the proposal addresses the three broad issues of "undisputed merit" that the Order Instituting Rulemaking (OIR) identifies and that my initial scoping memo repeats:

1. Ensuring safety of utility service at MHPs, or safety and reliability.
2. 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?

3. Ensuring reasonableness/equity in cost allocation associated with transfers, including the impact on all ratepayers, whether MHP tenants or not.[7]

Given discussion at subsequent workshops and PHCs, prepared testimony should explain how the proposal recommends that the Commission address the following specific issues:

4. Should conversion include only "to the meter" construction or continue "beyond the meter"? Why? Does this proposal for MHP conversions differ from the utility's practice for reconnecting service to fixed residences when, for its own convenience or needs, the utility relocates that service? (In the latter instance, please describe who does the construction and how the costs are both calculated and allocated.)
5. How should conversion be financed and what are the ratemaking implications? Should individual coach owners or MHP owners contribute any part of the construction cost "to the meter" or "beyond the meter"?
6. Explain what changes, if any, should be made to the master-meter discount program in concert with the conversion proposal?
7. Who should do the construction work required for conversion?
8. What should the duration of the conversion program be? How should the Commission address a hypothetical situation where a master-meter owner opts not to convert, but after the program has ceased, safety and/or reliability issues warrant conversion of the MHP?
9. What kind of outreach/education effort is necessary, when should it start, what persons or entities should be included

[7] OIR at 15; May 11, 2011 scoping memo at 2.

in the audience, and what should be the respective roles of the parties and of the Commission?

10. What legislation, if any, is necessary to establish the conversion proposal?

Finally, the OIR lists six additional issues which one or more parties identified early on. The OIR provides that these issues should be considered, if shown to have merit; consequently, parties' prepared testimony may develop any of these issues, either separately from the issues listed above or as a component of one or more of them.

11. Improving the ease and speed of transfers and reducing their cost.
12. Better utilization of existing line extension rules (Rules 15 and 16 in each utility's filed tariffs).
13. Recognizing and apportioning risks/liabilities during construction/transfer.
14. Considering the impact of an increase in transfers on the financial resources available for and timing of other utility endeavors.
15. Ensuring seamless continuation of service to MHP tenants/residents (no interruptions as transfers are implemented).
16. Ensuring consistency with previous Commission decisions.

4. Schedule

Using the recent PHC as a reference point and consistent with the scoping discussion above, the schedule below charts a course forward. If the schedule needs further modification to accommodate hearings, a future scoping memo will issue.

The initial scoping memo anticipated that this rulemaking could be resolved within 18 months of May 11, 2011 (which would require placing a proposed decision on the agenda for the Commission's November 8, 2012

meeting). It is now clear that the complexity of this undertaking requires extension of the schedule. In particular, the parties must be afforded adequate time to prepare the report on costs and the prepared testimony that this scoping memo requires. Accordingly, the following schedule is adopted:

DATE	EVENT
April 18, 2012	5th PHC, San Francisco.
July 13, 2012	Report on estimated cost of converting MHPs from master-meter to direct utility service served on service list.
September 14, 2012	Concurrent Prepared Testimony served
October 12, 2012	Rebuttal Testimony served.
November 14-16, 2012 as necessary	Workshops/Evidentiary Hearings or other procedures, as determined.
December 14, 2012	Initial briefs filed.
January 18, 2013	Reply briefs filed; submission
April 19, 2013	Proposed decision filed.
May 9, 2013	Opening comments on proposed decision filed.
May 14, 2013	Reply comments on proposed decision filed.
May 20, 2013 or thereafter (1st Commission meeting 30 days after proposed decision filed)	Commission may act on proposed decision.

The above dates are subject to change by the assigned Commissioner or ALJ. In any event, I anticipate that this proceeding will conclude within 18 months of the issuance of this scoping memo, pursuant to Pub. Util. Code §1701.5.

IT IS RULED that:

1. The scope of the proceeding is amended as set forth herein, including, in particular, the purpose and content of:

(a) A joint report on the estimated cost of converting mobilehome parks and manufactured housing communities from master-meter to direct utility service; and

(b) Prepared testimony and rebuttal testimony.

2. The schedule for this proceeding is revised as set forth herein.

Dated May 17, 2012, at San Francisco, California.

/s/ MICHEL PETER FLORIO
Michel Peter Florio
Assigned Commissioner