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March 24, 2023

Agenda ID #21482
Alternate Agenda ID #21483
Ratesetting

TO PARTIES OF RECORD IN INVESTIGATION 22-09-011

Enclosed are the proposed decision of Administrative Law Judge Brian Stevens previously designated as the presiding officer in this proceeding and the alternate proposed decision of Commissioner John Reynolds. The proposed decision and the alternate proposed decision will not appear on the Commission's agenda sooner than 30 days from the date they are mailed.

Public Utilities (Pub. Util.) Code Section 311(e) requires that the alternate item be accompanied by a digest that clearly explains the substantive revisions to the proposed decision. The digest of the alternate proposed decision is attached.

This matter was categorized as ratesetting and is subject to Pub. Util. Code Section 1701.3(c). Upon the request of any Commissioner, a Ratesetting Deliberative Meeting (RDM) may be held. If that occurs, the Commission will prepare and publish an agenda for the RDM three days beforehand. When an RDM is held, there is a related *ex parte* communications prohibition period. (See Rule 8.2(c)(4) of the Commission's Rules of Practice and Procedure (Rules).)

When the Commission acts on these agenda items, it may adopt all or part of the decision as written, amend or modify them, or set them aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision and alternate decision as provided in Pub. Util. Code Sections 311(d)-(e) and in Article 14 of the Commission's Rules of Practice and Procedure, accessible on the

Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 and served in accordance with Rule 1.9 and Rule 1.10. Electronic copies of comments should be sent to Commissioner John Reynolds' advisor Maria Sotero at maria.sotero@cpuc.ca.gov. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MICHELLE COOKE
Michelle Cooke
Acting Chief Administrative Law Judge

MLC:nd3
Attachment

Agenda ID #21482
Alternate Agenda ID #21483
Ratesetting

*DIGEST OF DIFFERENCES BETWEEN ADMINISTRATIVE LAW JUDGE
BRIAN STEVENS' PROPOSED DECISION AND THE ALTERNATE
PROPOSED DECISION OF COMMISSIONER JOHN REYNOLDS*

Pursuant to Public Utilities Code Section 311(e), this is the digest of the substantive differences between the proposed decision of Administrative Law Judge (ALJ) Brian Stevens (mailed on March 24, 2023) and the alternate proposed decision of Commissioner John Reynolds (also mailed on March 24, 2023).

The proposed decision of ALJ Stevens directs Pacific Gas and Electric Company (PG&E) to provide direct metered gas service and electric distribution upgrades to Santa Nella, a small, disadvantaged community in the San Joaquin Valley that is losing its gas service provider. The alternate proposed decision of Commissioner John Reynolds differs from the proposed decision of ALJ Stevens by additionally providing the option to electrify to community members.

The alternate proposed decision of Commissioner John Reynolds approves the same direct metered gas service and as electric distribution upgrades as the Proposed Decision, but it also directs PG&E to provide households the option to fully electrify. The impacted households will be provided information about both gas and fully-electric service, and will be able to choose whether to receive either a full electrification option or to receive a gas service line extension. Homeowners that choose the electrification option will receive electric appliances, and necessary wiring and panel upgrades to support those appliances, at no direct cost to the customer.

ATTACHMENT

Decision PROPOSED DECISION OF ALJ STEVENS (Mailed 3/24/2023)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation to
Address the Potential Loss of Natural
Gas Service for a Portion of the
Santa Nella Community.

Investigation 22-09-011

**DECISION DIRECTING PACIFIC GAS AND ELECTRIC COMPANY
TO ESTABLISH DIRECT METERED GAS SERVICE AND
PERFORM ELECTRIC SYSTEM UPGRADES
IN A COMMUNITY IN SANTA NELLA, CALIFORNIA**

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Attachment 1 - Aerial View of Santa Nella Subdivision

**DECISION DIRECTING PACIFIC GAS AND ELECTRIC COMPANY
TO ESTABLISH DIRECT METERED GAS SERVICE AND
PERFORM ELECTRIC SYSTEM UPGRADES
IN A COMMUNITY IN SANTA NELLA, CALIFORNIA**

Summary

This investigation identified the impending loss of master metered gas service in a portion of Santa Nella, California due to noticed intent to cease operations of SNME, Inc. This decision directs Pacific Gas and Electric Company to convert the identified neighborhood to direct metered gas service and simultaneously upgrade the electric infrastructure.

The proceeding remains open.

1. Background

1.1. Procedural and Factual Background

The California Public Utilities Commission (CPUC or Commission) issued the instant Order Instituting Investigation (OII) to Address the Potential Loss of Natural Gas Service for a Portion of the Santa Nella Community on September 21, 2022. On October 21, 2022, Pacific Gas and Electric Company (PG&E) and the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) filed responses to the OII. A prehearing conference was held on November 1, 2022. On November 10, 2022, PG&E and Cal Advocates filed replies to the responses to the OII. The assigned Commissioner issued a scoping ruling and memo on December 16, 2022.

On December 22, 2022, the assigned Administrative Law Judge (ALJ) issued a ruling directing PG&E and optionally any other party to respond to a set of questions relating to the issues scoped into the proceeding. On January 12, 2023, PG&E filed a response to the December 22, 2022 ruling.

On February 9, 2023, PG&E and the Commission's Energy Division jointly hosted a publicly noticed community meeting at Romero Elementary School in Santa Nella, California for the purpose of engaging with the impacted community regarding the issues scoped into this proceeding. On February 15, 2023, the assigned ALJ conducted two public participation hearings. On February 21, 2023, PG&E filed a post-workshop report that provides its summary of the community engagement at the community meeting in Santa Nella, California on February 9, 2023. For purposes of this decision, the proceeding was submitted as of February 21, 2023.

1.2. Santa Nella, California and the Impacted Community

Santa Nella is an unincorporated community of 1,981 people¹ located on the western edge of Merced County within the PG&E service territory. Within Santa Nella is a subdivision consisting of 280 parcels on which 270 manufactured homes are currently located, in addition to 10 vacant lots. Originally, all homes in the subdivision were part of a mobilehome park (MHP). Over time, the MHP owner sold most of the lots such that 233 of the 280 parcels became individually owned and are no longer affiliated with the original MHP. Currently, 47 manufactured homes continue to remain part of the original MHP and are therefore under the jurisdiction of the California Department of Housing and Community Development (HCD). The entire subdivision currently consists of one triple-wide coach, 18 double-wide coaches, 251 single-wide coaches, and the aforementioned 10 empty parcels. Five of the homes are newer, while the remainder range from mid-1960s construction to early 1980s construction.

¹ 2020 U.S. Census Bureau. *See*: <https://data.census.gov/cedsci/table?q=Santa%20Nella%20CDP,%20California&tid=ACSDP5Y2020.DP05>.

The entirety of Santa Nella falls within Census Tract 6047002100 and is designated as a Disadvantaged Community (DAC) in the 85th percentile under CalEnviroScreen 4.0.² More than half of all homes in the subdivision currently participate in either the California Alternative Rates for Energy (CARE) or Family Electric Rate Assistance (FERA) programs, though more may qualify that are unaware of their eligibility. According to the 2020 U.S. Census Bureau, 73.09 percent of Santa Nella's population identifies as Hispanic or Latino (of any race).³ Attachment 1 is an aerial view of the Santa Nella subdivision that is the focus of this proceeding.⁴

1.3. The Status of Electric and Gas Utility Service to the Impacted Community

SNME, Inc. (SNME) is a private corporation that owns the underground natural gas pipelines and customer meters that serve sub-metered natural gas to all 270 manufactured homes currently in the Santa Nella subdivision, including the 233 lots no longer within the formal boundary of the MHP. SNME receives natural gas from a PG&E master meter located in the center of the subdivision on Sun Street in the area that is not part of the officially registered MHP lots.

Santa Nella Mobile Home & RV Park, which includes the 47 registered MHP spaces served by SNME's natural gas pipeline system, is classified as Category 1 (High Priority) for conversion under the MHP Utility Conversion

² CalEnviroScreen 4.0. See: <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40>.

³ 2020 U.S. Census Bureau. See: <https://data.census.gov/cedsci/table?q=Santa%20Nella%20CDP,%20California&tid=ACSDP5Y2020.DP05>.

⁴ Note that the recreational vehicle (RV) park in the upper right corner of the picture is not part of the rest of the subdivision and does not receive any form of gas service. The portion of the subdivision that remains part of the original MHP consists of the non-RV lots in the upper left corner of the picture.

Program. The remaining 233 spaces are served by SNME but are not part of the MHP. The structure of natural gas service in the Santa Nella subdivision means that the subdivision's non-MHP lots are directly affected by any future conversion of the MHP lots to direct utility service since, when converting sub-metered properties to individually metered infrastructure, civil engineering and construction work generally begins at the master meter and affects the entirety of the natural gas system.

On May 19, 2022, SNME informed the Commission and PG&E that it will soon no longer be able to deliver gas to this community and is on the verge of filing for bankruptcy.⁵ SNME states that it has been operating at a loss for the past several years.

The community's electricity is provided directly by PG&E. PG&E electric distribution lines feed electricity to several meter banks located on various lots across the Santa Nella subdivision. Each meter bank consists of generally 10 to 20 meters. From the meter, underground conduit serves each individual lot. Nothing beyond the meter is owned or maintained by PG&E and all infrastructure not owned by PG&E is poorly understood.

PG&E indicates it believes that most of the subdivision's coaches are using 50 amperage (amp) panels with limited capacity to add any additional electrical load. Additionally, PG&E's existing distribution infrastructure may be inadequate to support additional electrical load, as the 13 transformers that serve the community have four transformers serving 107 customers at 100 percent capacity, four transformers serving 83 customers at 75 percent to 98 percent

⁵ OII at Attachment B.

capacity, two transformers serving 41 customers at 68 percent capacity, and three transformers serving 39 customers at 48 percent to 55 percent capacity.

2. Issues Before the Commission

- a. Should the Commission order PG&E to replace the gas infrastructure serving the 280 Santa Nella subdivision lots and assume responsibility for the gas service to these customers and/or should any other replacement energy service option be considered, such as electrification?
- b. What is the cost to PG&E to replace the gas infrastructure serving the 280 Santa Nella subdivision lots? What are the costs to PG&E of other identified options? What is PG&E's estimated timeframe to complete the work for each option? What are the expected impacts of each option to Santa Nella customers in terms of overall energy costs, energy reliability, construction and home remediation, and safety?
- c. Should the cost of PG&E's replacement of the gas infrastructure serving the 280 Santa Nella subdivision lots be reimbursed from Public Purpose Program funds in the same manner as the pilots established in Rulemaking (R.) 15-03-010 (the San Joaquin Valley proceeding) or distribution rates in the same manner as the MHP pilots established in R.18-04-018?
- d. Are there other sources of funding the Commission should consider for the necessary infrastructure replacement?
- e. What are the impacts of each option in terms of environmental and social justice, including the extent to which the issues and solutions identified in this proceeding impact achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan?

3. Policy Considerations

The Commission previously identified the need to modernize the master metered gas infrastructure deployed in MHPs similar to the portion of the

Santa Nella community currently served by SNME. Although future service options for sub-metered gas customers in Santa Nella do not fit neatly within any established CPUC approved programs, there is strong precedent to address the issues that are scoped into this investigation.

Decision (D.) 14-03-021 established a three-year pilot program referred to as the Mobile Home Park Utility Upgrade Program. This program focused on converting master metered natural gas and electric service to direct service from the customers' local utility, and in this program, the eligible conversions were located specifically in MHPs. The program was extended by Resolution (Res.) E-4878 (issued September 28, 2017) and Res. E-4958 (issued March 18, 2019). On April 24, 2020, D.20-04-004 was issued, which established the Mobilehome Park Utility Conversion Program (MHP-UCP). The MHP-UCP is designed to continue converting MHP utility infrastructure until the end of 2030, with the goal of converting a total of 50 percent of the spaces in each utility territory to direct gas and/or electric utility service.

This existing policy framework provides eligibility solely for homes and communities that are in MHPs, whereas a majority of the homes in the community identified in this investigation are positioned on individually owned parcels.

Another somewhat analogous policy framework is the San Joaquin Valley Disadvantaged Communities Pilot, developed within R.12-03-010, that evaluated economically feasible options for affordable access to energy in those communities. This program focuses primarily on assisting a transition to electrification for communities that do not have natural gas service and rely on propane and wood-burning for heating, cooking, *etc.*

Policymakers in California have also signaled a broader policy of supporting electrification and decarbonization. For instance, on July 7, 2022, Governor Gavin Newsom issued a letter to California Air Resources Board Chair Liane Randolph⁶ that outlined a goal of “3 million climate-ready and climate-friendly homes by 2030 and 7 million homes by 2035.” In this letter, Governor Newsom indicates that “[b]uildings are a large source of carbon pollution, and decarbonization of California’s buildings must be accelerated to achieve our climate targets.” Furthermore, the Governor underscored the importance of prioritizing disadvantaged communities, with millions of dollars set aside specifically for ensuring that DACs are not left behind in this transition.

4. Identified Options for the Replacement of SNME Natural Gas Service

PG&E identified three high level options for replacing existing SNME infrastructure service in its pleadings and brief before the Commission. The costs and benefits of each approach are explored in detail below.

The three proposed options are summarized in this table with the cost and estimates that PG&E provided to the record of this proceeding.

| | Service | Cost to PG&E Ratepayers | Timeframe |
|-----------------|----------------------|------------------------------------|------------------|
| Option 1 | Gas | \$5.89 million | 22 months |
| Option 2 | Gas/Electric hybrid | \$11.03 million | 24 months |
| Option 3 | Full Electrification | \$14.20 million | 21 to 24 months |

In addition to identifying three possible options, PG&E provided a high-level analysis regarding the overall bill impact to implanting the solutions identified. PG&E indicated that the rate impact for Option 3, the full

⁶ See: <https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf>.

electrification option with an anticipated cost of \$14.03 million, is approximately a 0.1 percent increase in electric rates for all customer classes: a \$0.10 increase for the average PG&E non-CARE customer bill (from \$172.84 to \$172.94) and a \$0.07 increase for CARE customers (from \$110.16 to \$110.23).⁷ Adopting other options or modified versions of these options may result in higher or lower bill impacts.

4.1. Option 1: Gas Replacement

PG&E discusses one potential path forward that involves solely replacing the existing SNME master metered gas system with individually metered PG&E gas service for all impacted customers.⁸

This work would include to-the-meter installation of a two-inch plastic gas main and one-inch plastic gas service from the gas main to each individual lot. Necessary work would also include behind-the-meter work that may involve gas plumbing and installation required to facilitate gas delivery from the gas meter to the existing gas infrastructure of the mobile home.

PG&E notes that the impacted subdivision at issue in this proceeding is different from the projects considered in the MHP-UCP for two reasons. First, the majority of the subdivision is not part of an HCD-permitted MHP, thus making that non-MHP lots ineligible under current MHP-UCP rules. Second, many of the homes in the subdivision are situated on separately owned parcels of land, as opposed to many homes being situated on one parcel (233 individual parcels and one MHP parcel with 47 mobile homes) thus complicating any conversion effort. PG&E notes that this differentiation will increase the complexity and cost

⁷ January 12, 2023, PG&E Response to Ruling Seeking More Information at 7. These are the rate impacts PG&E estimated for the full electrification option (total of \$14.2 million). The option adopted in this decision is most similar to Option 2 proposed by PG&E which is estimated to cost \$11.03 million.

⁸ PG&E Response to the OII at 9.

of executing this gas replacement project because there is no individual point of contact, and PG&E will need to interact with many of the parcel owners on an individual basis.

PG&E estimates that the execution of the gas replacement option would cost approximately \$6 million and take approximately 22 months to complete.

4.2. Option 2: Hybrid Gas and Electric Upgrades

A second option discussed by PG&E is the replacement of both the SNME gas infrastructure and the installation of new electrical infrastructure; including conduit, transformers, meters, and other equipment necessary to accommodate electrification.⁹

As with Option 1, this proposed option also includes installing two-inch plastic gas main and one-inch plastic service extensions to individual lots with new PG&E gas meters, as well as any work necessary to facilitate connection of the meter to the home.

Additionally, there would be to-the-meter electric work that includes the installation of new transformers, electrical boxes, primary and secondary conduit and cable, and the poles necessary to serve each home with a new PG&E electric meter. The assets installed would allow for an electric load up to 200 amps (existing infrastructure generally supports 50 amps). The new electric work would provide for a PG&E meter at a newly installed service pedestal positioned at each home's external point of connection. This would differ from the current electric metering installation in the community where there is a central bank of meters and often residents are required to trespass on other community members' parcels when a centrally located breaker is tripped.

⁹ PG&E Response to the OII at 10.

PG&E estimates that the execution of this gas and electric hybrid option would cost approximately \$11 million and take approximately 24 months to complete.

4.3. Option 3: Full Electrification

PG&E presented a third option that involves fully electrifying the Santa Nella subdivision consistent with the San Joaquin Valley Disadvantaged Communities Pilot.¹⁰

Under this option, PG&E would conduct the to-the-meter and behind-the-meter work necessary to fully electrify all parcels and homes, both the homes that are on individually owned parcels and those that are in the MHP. PG&E would provide the to-the-meter work that would enable 200-amp service and individual meters on each lot, as proposed in Option 2. Unlike Option 2, however, PG&E would provide and facilitate the installation of new electric appliances in every home for water heating, space heating, cooking, and clothes drying at no cost to the homeowners and/or residents. PG&E would also conduct the necessary in-unit wiring upgrades and repairs to accommodate the new electric appliances.

PG&E estimates that the execution of this full electrification option would cost approximately \$14.2 million and take 21 to 24 months to complete.

5. Input from the Santa Nella Community

On February 9, 2023, the Commission's Energy Division and PG&E conducted a joint community meeting that outlined the options that are being discussed in the record of this proceeding and collected feedback from current SNME customers. The community meeting was hosted at Romero Elementary

¹⁰ PG&E Response to the OII at 11.

School which is situated proximately to the impacted community. The community meeting was well attended, with an estimated 87 community members in attendance, and it provided critical insight about the issues that individual members of the community are facing regarding their energy services.

On February 21, 2023, PG&E filed a post-workshop report that outlines much of the community response that was expressed at the community workshop.

Some residents expressed support for “removing the middleman” and taking direct gas service with PG&E, noting that PG&E already provides the service to the SNME master meter. Residents also noted that the existing electric service goes through a centralized bank of meters, and often if a circuit breaker at this bank of meters is tripped, residents are forced to trespass on others’ properties to restore service.

Some residents expressed concern about potential bill impacts of converting their existing natural gas usage to all-electric usage, without available additional data regarding what that might mean to them financially.

Some residents remarked about the condition of their homes, noting that many homes have older wiring. Residents also expressed interest in the electrification and behind-the-meter upgrades that are available with the full electrification option.¹¹

In summary, there was a wide range of interest and concern among the impacted community members present for all three options that have been presented in the record of this proceeding, some supporting a natural gas

¹¹ February 21, 2023 Post Workshop Report, Attachment A at 1.

buildout, some supporting electrification, and others expressing a desire to have some hybrid of the two.

6. Evaluating the Specific Situation in Santa Nella

In evaluating the potential pathways that the Commission can take to ensure an appropriate transition of the energy services for the impacted community in Santa Nella, there are several competing factors that must be considered. Among those are whether and how:

- Residents have access to safe and reliable energy;
- Residents receive a solution to the termination of SNME gas service in a timely manner;
- Residents are not left behind in the state-wide push for building electrification, transportation electrification, and/or solar deployment; and
- Ratepayers are protected from excessive and uncertain costs.

What is apparent from the existing law and policy and the record of this proceeding is that it is reasonable for the Commission to direct PG&E to convert the impacted portion of the Santa Nella community from master metered gas service to direct metered service. We further take into consideration appropriate actions given that Santa Nella is classified as a DAC in the 85th percentile under CalEnviroScreen 4.0.¹² Consistent with the Commission's Environmental and Social Justice Action Plan, we will consider broader issues that impact the individually owned parcels along with the homes that are positioned in the MHP.

As we develop guidance in this investigation, we consider the current nascent nature of broad scale electrification efforts in California. Further, as is

¹² CalEnviroScreen 4.0. See: <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40>.

consistent with the record of this proceeding, it is apparent that the community needs a solution to replace SNME as it terminates operation, and the community has a wide set of opinions on what the appropriate energy solution is for individuals going forward.

Existing law and policy, as well as the record of this proceeding, clearly demonstrate the need for the Commission to direct PG&E to convert the impacted portion of the Santa Nella community from master-metered gas service to direct-metered service.

Were it not for the transfer of previous MHP lots to individual ownership, the situation in Santa Nella could have been resolved under the existing authority and funding of the MHP-UCP. The Santa Nella MHP is classified as Category 1 (High Priority) for conversion under the MHP-UCP, which means SNME's gas system, which serves the MHP, has been identified by Commission inspectors as a high safety risk and in need of replacement. While the lots within the MHP are currently in the queue for replacement under the MHP-UCP, the lots outside the MHP that also stand to lose gas service would not benefit from the upgrades provided in the conversion program and non-MHP residents would be responsible for paying for any gas line extensions to their homes. As the OII points out, "[a]fter loss of SNME gas service, if a Santa Nella subdivision resident [outside of the MHP] were to request PG&E provide gas service directly to a home, the cost for extending service and individually metering the residence would fall on the resident. Given that this could require extensive civil engineering and construction work involving planning, materials, trenching, and

labor, these costs are likely infeasible for any individual customer in the Santa Nella subdivision to absorb.”¹³

The statutory intent behind the MHP-UCP is clear: the master-metered service arrangement in MHPs often leads to safety risks, and as many of these communities as possible should be upgraded to direct utility service and system ownership. The option adopted in this decision comports with the spirit and objectives of the MHP-UCP, of converting master-metered energy systems to direct utility service, to align with state statute, and to ensure safe and reliable energy services for sub-metered customers. The conversion of the registered MHP lots will also directly contribute to the MHP-UCP’s targets outlined for PG&E of converting 50 percent or more of master-metered MHP spaces in its territory by 2030.

Directing PG&E to install new gas infrastructure and provide direct gas service to all 280 lots in Santa Nella is therefore necessary and justified for the following reasons. First, the existing gas service provider intends to stop operating and PG&E is not required, nor has it expressed willingness, to take over SNME’s gas infrastructure. Second, the Santa Nella MHP’s gas system has been identified as a high safety risk, and the MHP lots are already slated to receive upgraded, direct-metered gas service under the existing MHP-UCP. Third, as PG&E notes, if we do not approve new gas service here, Santa Nella’s non-MHP residents would be “required to request new gas service from PG&E pursuant to Gas Rule 15 (Main Extensions) and Gas Rule 16 (Service Extensions) and to provide the required funding for the necessary line extension work, since they currently are not PG&E gas customers but reside in PG&E’s gas service

¹³ OII at 13.

territory.”¹⁴ It is unlikely that this or any small, low-income residential community would be able to cover these high costs. Finally, we do not find it reasonable to leave the majority of the community without gas service due to lack of financial resources, nor enforce rapid full electrification for the entire community given the lack of robust community representation, despite our general policy preference for electrification as stated in the OII.

Furthermore, it is apparent that the existing electric infrastructure will not support broad electrification for the community and increased safety. As the trench is opened for any work to upgrade the gas infrastructure, there is a strong likelihood that upgrading the electric infrastructure simultaneously could offset the need for major future expenditures to reopen the trench for electric work — costs that are only likely to increase as time passes.^{15,16}

7. Guidance

Considering this, we direct PG&E to execute the hybrid gas and electric infrastructure upgrade, which was identified in the record of this proceeding as Option 2.

PG&E is directed to convert the SNME gas system from master metered to direct metered service. This includes the installation of a gas main and gas service lines to each individual mobile home space, as well as the installation of a

¹⁴ PG&E Opening Brief at 12.

¹⁵ PG&E’s 2022 Mobile Home Park Utility Conversion Program CPUC report, filed February 1, 2023, at 9, indicates it converted to-the-meter infrastructure for 1,412 mobile home spaces in 2022. The trenching costs for the electric system totalled \$8,862,748.68, or \$6,276 per space. Using these numbers as an estimate for Santa Nella’s 280 spaces, trenching alone would cost ~\$1.7 million.

¹⁶ [D.20-04-004](#) establishing a permanent MHP-UCP (R.18-04-018) at 156 orders utilities to work together and save on costs where possible, including joint trenching between gas and electric utilities (for installing underground infrastructure).

new gas meter. Conversion also shall include behind-the-meter work that may involve gas plumbing and installation required to connect the gas meter to each individual home.

PG&E is additionally directed to simultaneously update the electric infrastructure for the entirety of the subdivision, including the MHP and individually owned parcels. PG&E is directed to conduct the to-the-meter electric work that includes the installation of new transformers, electrical boxes, primary and secondary conduit and cable, and the poles necessary to serve each home with a new PG&E electric meter. PG&E is also directed to install behind-the-meter infrastructure that includes a 200-amp pedestal, and any wiring and conduit needed to connect to PG&E's new electric meter to the home's existing external point of connection (*i.e.*, the home's subpanel or external junction box). All to-the-meter and behind-the-meter assets installed must be able to accommodate 200-amp electrical service to each home.

Residents shall not directly bear the costs for these infrastructure upgrades, nor should residents be required to pay any upfront costs for later reimbursement from PG&E.¹⁷ PG&E shall also be responsible for finding and contracting with qualified, licensed contractors to perform the behind-the-meter gas and electric system upgrades. PG&E shall ensure that the streetlights in the community remain functional during and after the gas and electric infrastructure is installed.

¹⁷ As PG&E ratepayers, the residents of Santa Nella will bear some costs associated with the upgrades by virtue of being placed in the same tariffs as PG&E ratepayers more broadly. Santa Nella residents will not be placed on a special tariff that excludes the revenue requirement associated with the infrastructure upgrades ordered in this decision.

8. SNME Service in the Interim

PG&E shall work directly with SNME to devise a payment plan as soon as practicable that will allow SNME to continue operating until PG&E implements the energy solution outlined in this decision. This agreement shall specify that PG&E will not shut off gas service to SNME for underpayment from the date of this decision's adoption until the new energy solution is fully implemented and SNME ceases to operate. If it is deemed that SNME does not have adequate cash flow to continue operating its gas system until a new solution is implemented, PG&E shall negotiate an arrangement between itself and SNME in which PG&E directly provides SNME revenue that is sufficient and reasonable to ensure that SNME can continue operations until PG&E fully implements the new solution that this decision orders. This agreement shall also require SNME to submit documentation of its costs justifying this additional, interim revenue from PG&E.

This agreement shall be filed by PG&E as a Tier 2 Advice Letter as soon as practicable after execution.

9. Further Consideration for Full Electrification and Addressing Interim Solutions

Considering the trending direction of policy to support electrification and access to energy solutions both statewide and for DACs specifically, it may be in the public interest for the Commission to consider providing an electrification option to the residents in the Santa Nella community identified in this investigation. We will leave this investigation open to consider an additional Commission Order that may consider additionally implementing a full electrification solution for homeowners in the affected portion of the Santa Nella community who desire such an option. This will include, but not be limited to, an analysis of the remediation costs associated with full electrification for the various types of homes in the Santa Nella Community. This second phase will

also explore issues of cost and feasibility, as well as to address any additional issues that may arise as PG&E implements this decision.

10. Cost Recovery

We authorize PG&E to establish a two-way balancing account with a cost cap that is commensurate with the costs PG&E proposed for Option 2 of \$11.03 million. PG&E shall seek additional sources of funding to reduce the cost burden on ratepayers that is necessary through the two-way balancing account. Costs shall be recovered consistent with cost recovery treatment established for the mobile home park upgrade program in R.11-02-018, as the authorization adopted in this decision most similarly mirrors the authorizations provided by the Commission in the MHP upgrade program.

PG&E shall file a Tier 2 Advice Letter to establish the balancing account.

11. Implementation

PG&E shall file a Tier 2 Advice Letter within 45 days of the adoption of this decision detailing an implementation and outreach plan prior to beginning work.

PG&E shall work with relevant community-based organizations (CBOs) to conduct outreach to affected Santa Nella residents and ensure that they are aware of the energy options outlined in this decision. PG&E and partnering CBOs should coordinate to ensure that:

- Each customer is aware that PG&E will be replacing both the gas and electric systems in the community. Each customer is aware of and enrolls in applicable bill discount programs (*e.g.*, California Alternative Rates for Energy, Family Electric Rate Assistance, and Medical Baseline) and other energy savings programs, such as Energy Savings Assistance, Self-Generation Incentive Program, and Disadvantaged Communities – Single-Family Solar Homes Program.
- Questions from residents are answered in a timely manner, during the process of PG&E installing a new energy system.

12. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Brian Stevens in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

13. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Brian Stevens is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Santa Nella is an unincorporated community of 1,981 people located on the western edge of Merced County within PG&E service territory. Within Santa Nella is a subdivision consisting of 280 parcels on which 270 manufactured homes are currently located, in addition to 10 vacant lots.

2. Originally, all homes in the subdivision were part of a MHP. Over time, the MHP owner sold most of the lots such that 233 of the 280 parcels became individually owned and are no longer affiliated with the MHP. Currently, 47 manufactured homes continue to remain part of the original MHP and are therefore under the jurisdiction of HCD.

3. The entirety of Santa Nella falls within Census Tract 6047002100 and is designated as a DAC in the 85th percentile under CalEnviroScreen 4.0.

4. More than half of all homes in the subdivision currently participate in either the CARE or FERA programs, though more may qualify that are unaware of their eligibility.

5. SNME is a private corporation that owns the underground natural gas pipelines and customer meters that serve sub-metered natural gas to all 270

manufactured homes currently in the Santa Nella subdivision, including the 233 lots no longer within the formal boundary of the MHP.

6. SNME receives natural gas from a PG&E master meter located in the center of the subdivision on Sun Street in the area that is not part of the officially registered MHP lots.

7. On May 19, 2022, SNME informed the Commission and PG&E that it will soon no longer be able to deliver gas to this community and is on the verge of filing for bankruptcy.

8. The community's electricity is provided directly by PG&E.

9. PG&E electric distribution lines feed electricity to several meter banks located on various lots across the Santa Nella subdivision. Each meter bank generally consists of 10 to 20 meters. From the meter, underground conduit serves each individual lot. Nothing beyond the meter is owned or maintained by PG&E and all infrastructure not owned by PG&E is poorly understood.

10. PG&E's existing distribution infrastructure may be inadequate to support additional electrical load, as the 13 transformers that serve the community have four transformers serving 107 customers at 100 percent capacity, four transformers serving 83 customers at 75 percent to 98 percent capacity, two transformers serving 41 customers at 68 percent capacity, and three transformers serving 39 customers at 48 percent to 55 percent capacity.

11. The CPUC may consider approving customized solutions to the emergent energy service issues experienced by this community; potential solutions based on recent precedent from the CPUC's most analogous programs: the MHP and San Joaquin programs.

12. D.14-03-021 established a three-year pilot program referred to as the Mobilehome Park Utility Upgrade Program. This program focused on converting

master metered natural gas and electric service to direct service, and in this program, the eligible conversions were located specifically in MHPs.

13. D.20-04-004 established the MHP-UCP. The MHP-UCP is designed to continue converting MHP utility infrastructure until the end of 2030, with the goal of converting a total of 50 percent of the spaces in each utility territory to direct gas and/or electric utility service.

14. The San Joaquin Valley Disadvantaged Communities Pilot evaluated economically feasible options for affordable access to energy to assist a transition to electrification for several identified communities that do not have natural gas service and instead rely on propane and wood-burning for heating, cooking, etc.

15. PG&E identified three high level options for replacement service in its pleadings and brief before the Commission.

16. The first option PG&E identified is replacing the existing SNME master metered gas system with individually metered PG&E gas service for all impacted customers at a cost of approximately \$6 million and taking approximately 22 months to complete.

17. The second option PG&E identified is the replacement of the SNME gas infrastructure with both the installation of new gas infrastructure and electrical infrastructure; including conduit, transformers, meters, and other equipment to accommodate electrification at a cost of approximately \$11 million and taking approximately 24 months to complete.

18. The third option PG&E identified is the replacement of the SNME gas infrastructure with only the installation of new electrical infrastructure (*i.e.*, no gas infrastructure replacement); including conduit, transformers, meters, and other equipment to accommodate electrification, as well as remediation work

and appliance replacement, at a cost of approximately \$14 million and taking approximately up to 24 months to complete.

19. On February 9, 2023, the Commission's Energy Division and PG&E conducted a joint community meeting that outlined the options that are being discussed in the record of this proceeding and collected feedback from the residents of Santa Nella.

20. Residents at the community workshop expressed a wide range of opinions about how to address the issue of the conclusion of SNME's master metered gas service, including support for implementing a replacement gas system, support for electrification, and support for a hybrid approach. Community members also shared concerns about bill impact, whether SNME will continue to provide gas service in the interim, and the overall cost of providing the new infrastructure should any of the costs fall on them.

21. The subdivision needs a solution to replace SNME's existing infrastructure as SNME terminates operation. This includes ensuring that SNME is able to continue providing service to the impacted residents as PG&E executes the direction adopted in this decision.

22. PG&E proposed to recover the costs attributed to the execution of the solution in Santa Nella through a two-way balancing account, with rate recovery occurring with a similar to the authorization provided in R.11-02-018.

23. PG&E could establish a two-way balancing account through a Tier 2 Advice Letter submitted to the Commission's Energy Division.

24. It is beneficial for there to be additional consideration of PG&E's implementation plan of this decision through an advice letter filing.

Conclusions of Law

1. PG&E should replace SNME's existing gas infrastructure to direct metered PG&E service. PG&E should conduct a to-the-meter installation of gas main and gas service lines to each individual home in the affected community. PG&E should also facilitate any behind-the-meter work that may involve gas plumbing and installation required to connect the gas meter to the home on each lot.

2. PG&E should simultaneously replace the electrical infrastructure for the entirety of the Santa Nella mobile home subdivision, including both the MHP portion and individually owned parcels. PG&E should be directed to conduct the to-the-meter electric work that includes the installation of new transformers, electrical boxes, primary and secondary conduit and cable, and the poles necessary to serve each home with a new PG&E electric meter. PG&E should further be directed to install behind-the-meter infrastructure that includes a 200-amp pedestal, and any wiring and conduit needed to connect to PG&E's new electric meter to the home's existing external point of connection (*i.e.*, the home's subpanel or external junction box). All to-the-meter and behind-the-meter assets installed must be able to accommodate 200-amp electrical service to each home. PG&E should be responsible for finding and selecting a qualified, licensed contractor to perform the behind-the-meter gas and electrical system upgrades. All work, including any additional permit costs, should come at no cost to Santa Nella residents.

3. PG&E should file a Tier 2 Advice Letter within 45 days of the adoption of this decision detailing an implementation and outreach plan prior to beginning work.

4. PG&E should ensure that the streetlights in the community remain functional during and after the new gas and electric infrastructure is installed.

5. The Commission should authorize PG&E to establish a two-way balancing account with a cost cap of \$11.03 million. PG&E should seek additional sources of funding to reduce the cost burden on ratepayers that is necessary through the two-way balancing account. Costs recovery treatment should mirror the cost recovery treatment authorized by the Commission in R.11-02-018. PG&E should seek the creation of the balancing account through a Tier 2 Advice Letter submitted to the Commission's Energy Division.

6. PG&E should work directly with SNME to devise a payment plan as soon as practicable that will allow SNME to continue operating safely until PG&E implements the energy solution outlined in this decision. This agreement should specify that PG&E will not shut off gas service to SNME for underpayment from the date of this decision's adoption until the new energy solution is fully implemented and SNME ceases to operate. If it is deemed that SNME does not have adequate cash flow to continue operating its gas system safely before a new solution is implemented.

7. PG&E should work directly with SNME to devise a payment plan as soon as practicable that will allow SNME to continue operating until PG&E implements the energy solution outlined in this decision. This agreement should specify that PG&E will not shut off gas service to SNME for underpayment from the date of this decision's adoption until the new energy solution is fully implemented and SNME ceases to operate. If it is deemed that SNME does not have adequate cash flow to continue operating its gas system until a new solution is implemented, PG&E should negotiate an arrangement between itself and SNME in which PG&E directly provides SNME revenue that is sufficient and reasonable to ensure that SNME can continue operations until PG&E fully implements the new solution that this decision orders. This agreement should

also require SNME to submit documentation of its costs justifying this additional, interim revenue from PG&E. This agreement should be filed by PG&E as a Tier 2 Advice Letter as soon as practicable after execution.

8. This investigation should remain open to consider an additional Commission Order implementing a full electrification solution for homeowners in the affected portion of the Santa Nella community who desire such an option.

9. I.22-09-011 should remain open.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) shall convert the SNME, Inc. gas system from master metered service to direct metered service. PG&E shall conduct a to-the-meter installation of a gas main extension and gas service lines to each individual lot in the portion of the Santa Nella community that is the subject of this investigation. Conversion work shall also include behind-the-meter work that may involve gas plumbing and installation required to connect the gas meter to the existing gas infrastructure of the mobile home.

2. Pacific Gas and Electric Company (PG&E) shall simultaneously update the electric infrastructure for the entirety of the affected portion of the Santa Nella community, including both the mobilehome park portion and the individually owned parcels of the subdivision. PG&E is directed to conduct the to-the-meter electric work that includes the installation of new transformers, electrical boxes, primary and secondary conduit and cable, and the poles necessary to serve each home with a new PG&E electric meter. PG&E is further directed to install behind-the-meter infrastructure that includes a 200-amp pedestal, and any wiring and conduit needed to connect to PG&E's new electric meter to the home's existing external point of connection (*i.e.*, the home's subpanel or external

junction box). All to-the-meter and behind-the-meter assets installed must be able to accommodate 200-amp electrical service to each home. PG&E shall find and select a qualified, licensed contractor to perform the behind-the-meter gas and electric system upgrades. PG&E shall be responsible for all to-the-meter and behind-the-meter gas and electric system costs; residents shall not bear any costs associated with these upgrades.

3. Pacific Gas and Electric Company shall file a Tier 2 Advice Letter within 45 days of the adoption of this decision detailing an implementation and outreach plan prior to beginning work.

4. Pacific Gas and Electric Company shall ensure that the streetlights in the community remain functional during and after the new gas and electric infrastructure is installed.

5. We authorize Pacific Gas and Electric Company (PG&E) to establish a two-way balancing account with a cost cap of \$11.03 million. PG&E shall seek additional sources of funding to reduce the cost burden ratepayers that is necessary through the two-way balancing account. Cost recovery treatment shall mirror the cost recovery treatment authorized by the Commission in Rulemaking 11-02-018. PG&E shall file a Tier 2 Advice Letter to establish the two-way balancing account submitted to the Commission's Energy Division.

6. Pacific Gas and Electric Company (PG&E) shall work directly with SNME, Inc. (SNME) to devise a payment plan as soon as practicable that will allow SNME to continue operating until PG&E implements the energy solution outlined in this decision. This agreement shall specify that PG&E will not shut off gas service to SNME for underpayment from the date of this decision's adoption until the new energy solution is fully implemented and SNME ceases to operate. If it is deemed that SNME does not have adequate cash flow to continue

operating its gas system until a new solution is implemented, PG&E shall negotiate an arrangement between itself and SNME in which PG&E directly provides SNME revenue that is sufficient and reasonable to ensure that SNME can continue operations until PG&E fully implements the new solution that this decision orders. This agreement shall also require SNME to submit documentation of its costs justifying this additional, interim revenue from PG&E. This agreement shall be filed by PG&E as a Tier 2 Advice Letter as soon as practicable after execution.

7. Investigation 22-09-011 remains open in order to consider an additional Commission Order implementing a full electrification solution for homeowners in the affected portion of the Santa Nella community who desire such an option.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT 1

ATTACHMENT 1

Aerial View of Santa Nella Subdivision



(Source: Google Earth)