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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Evaluate the Mobilehome Park Pilot
Program and to Adopt Programmatic
Modifications.

Rulemaking 18-04-018

**DECISION ADOPTING CONSUMER PROTECTION MEASURES FOR
RESIDENTS OF MOBILEHOME PARKS PARTICIPATING IN THE
MOBILEHOME PARK UTILITY CONVERSION PROGRAM**

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**DECISION ADOPTING CONSUMER PROTECTION MEASURES FOR
RESIDENTS OF MOBILEHOME PARKS PARTICIPATING IN THE
MOBILEHOME PARK UTILITY CONVERSION PROGRAM**

Summary

This decision adopts consumer protection requirements to keep residents of mobilehome parks (MHPs) that participate in the California Public Utilities Commission's (Commission or CPUC) MHP Utility Conversion Program (MHP Conversion Program or Program) from experiencing unreasonable rent increases or evictions due to infrastructure improvements funded through the Program. This decision adopts consumer protections, specifically by adding a clause to the standard agreement signed by MHP owners or their representatives who choose to participate in the program. The new clause requires that MHP owners and operators agree not to raise the rent of a unit based on increased value of the unit due solely to infrastructure improvements provided by the Program. This new agreement language will be included in MHP Conversion Program participation agreements starting 45 days after the issuance of this decision. This proceeding remains open to address additional issues within the scope of Phase 2, including development of possible standards for MHP electrifications performed through Commission programs.

1. Background

1.1. Utility Master Meter/Submeter Systems

Until recently, most mobilehome parks (MHPs) received utility service through master meter/submeter systems, rather than directly from local jurisdictional utilities. Master-meter/submeter systems are private distribution systems interconnected with the larger electricity grid and/or with natural gas transmission and distribution facilities, but they are owned, operated, and maintained by a private system owner, which for MHPs is generally the owner

or operator of the MHP. That private owner receives service from a utility, and is billed for all service received by the full master meter/submeter system through a utility tariff specific to master-metered systems. The private owner in turn may bill their tenants for each tenant's usage as recorded by a submeter that measures the usage associated with that individual's specific unit within the master-metered system; these tariffs usually limit the amount the master meter customer can charge per unit of energy to the amount that customer would pay if billed directly by the utility. In this way, the master meter owner recovers from each tenant the costs generated by that tenant.

As of January 1, 1997, state law requires the direct metering of electric and/or natural gas service in MHPs constructed within electric or natural gas corporation franchise areas.¹ State law also encourages the transfer of master-metering systems in MHPs and manufactured housing communities to gas or electric company ownership.² There are several reasons that such transfers are in the public interest. As an example, master meter system owners have maintenance and safety responsibilities for their own distribution systems, but as non-Commission-regulated entities, it more difficult to enforce safety and reliability requirements in the operation of those systems. Pursuant to § 2791(a), however, transfer is a voluntary process – not a mandatory one. In addition, only master meter/submeter systems that meet certain requirements are eligible for such transfer. Specifically, in order for a system to be transferred to a utility, that system must be capable of serving on-site utility capacity, must meet some standards of reliability, and must be generally compatible with the acquiring

¹ Public Utilities Code Section 2791(c). All future section and code references are to the Public Utilities Code unless otherwise stated.

² §§ 2791-2799.

utility's energy delivery systems.³ The former Mobilehome Park Pilot Program (MHP Pilot Program), and the recently adopted MHP Utility Conversion Program (MHP Conversion Program or Program), are intended to facilitate the conversion of MHPs with master meter/submeter systems to systems in which the utility serves customers directly.

1.2. Procedural Background

On April 26, 2018, the Commission approved an Order Instituting Rulemaking (OIR), Rulemaking (R.) 18-04-018, in which to evaluate and consider modifications to the MHP Pilot Program established in Decision (D.) 14-03-021 and extended via Resolution E-4878 in 2017. The MHP Pilot Program focused on the conversion to direct utility service of existing master meter/submeter energy distribution and metering systems common in MHPs.⁴

According to the order opening this Rulemaking, "[t]he purpose of this OIR is to undertake a comprehensive evaluation of the MHP Pilot Program and determine based upon that evaluation whether the Program should be adopted as a permanent MHP Utility Program on a going forward basis and if so, under what provisions and guidelines."⁵ D.20-04-004 established a 10-year MHP Conversion Program to run from 2021 through 2030, with rules and targets informed by the results of the evaluation of the MHP Pilot Program. D.20-04-004 also determined that the proceeding should remain open to further consider consumer protection issues and increasing the electric service system upgrade standard.

³ R.11-02-018 at 5-6.

⁴ D.14-03-021 at 35.

⁵ OIR at 10.

On September 15, 2020, the Commission's Energy Division led a joint workshop noticed in this proceeding and R.19-01-011, the Building Decarbonization Rulemaking. One segment of that workshop focused on MHP electrification topics and tenant protections for MHP residents. Via ruling issued on October 5, 2020, the assigned Administrative Law Judge (ALJ) placed several presentations from that workshop into the record of this proceeding and noticed a telephonic prehearing conference (PHC) to discuss Phase 2.⁶ In response to that ruling, parties filed comments on October 19, 2020,⁷ and reply comments on October 26, 2020.⁸ On October 29, 2020, the assigned ALJ held a PHC to address the issues of law and fact, determine the need for hearing, set the schedule for Phase 2, and address other matters as necessary.

As provided in the Assigned Commissioner's Phase 2 Scoping Memo and Ruling issued on December 23, 2020, initial activities in Phase 2 of this proceeding focus on consumer protection, specifically on "examining ways to protect residents of MHPs from unreasonable rent increases or evictions following an MHP's participation in the MHP Conversion Program."⁹ On

⁶ *Administrative Law Judge's Ruling Entering Materials into the Record and Setting a Prehearing Conference* (October 5 Ruling), issued October 5, 2020.

⁷ The following parties filed opening comments on October 19, 2020, pursuant to the October 5 Ruling: Bear Valley Electric Service, Liberty Utilities LLC (CalPeco Electric), PacifiCorp d/b/a Pacific Power (jointly, the California Association of Small and Multi-Jurisdictional Utilities); Pacific Gas and Electric Company (PG&E); Southern California Edison Company (SCE); San Diego Gas & Electric Company (SDG&E); Sierra Club; The Utility Reform Network (TURN); and Western Manufactured Housing Communities Association (WMA).

⁸ The following parties filed reply comments on October 26, 2020, pursuant to the October 5 Ruling: the Public Advocates Office of the CPUC, PG&E, SCE, SDG&E, TURN, and WMA.

⁹ *Assigned Commissioner's Phase 2 Scoping Memo and Ruling* in R.18-04-018, issued on December 23, 2020, at 4.

February 12, 2021, the assigned ALJ issued a ruling seeking party comment on a staff proposal and setting a schedule for further activities on consumer protection. This decision resolves the consumer protection issues included in Phase 2. One or more future decisions will address the remaining Phase 2 issues, including possible MHP electrification standards.

2. Jurisdiction

The Commission's jurisdiction over MHPs is limited to specific aspects of their operations; as a result, the Commission shares jurisdiction over MHPs, most notably with the California Department of Housing and Community Development (HCD). HCD oversees most electric infrastructure in existing MHPs. Sections 4351 through 4361 give the Commission jurisdiction over the safety of master-metered natural gas systems in MHPs. In January 1995, the Commission also assumed jurisdiction over the safety of propane master tank distribution systems in compliance with §§ 4451 through 4465.

The Gas Safety and Reliability Branch (GSRB) of the Commission enforces Federal Pipeline Safety Regulations through audits of jurisdictional MHP and propane master tank systems. Audits consist of reviewing operation and maintenance records, evaluating emergency procedures, and performing field inspections of the gas distribution facilities. If violations are found, GSRB suggests corrective measures to be taken within a specified time. If the operator fails to comply, a citation and fine may result.¹⁰

Although the Commission has responsibility to inspect jurisdictional propane systems, and the authority to issue citations, the Commission does not have the same ratemaking jurisdiction over propane companies that it has with

¹⁰ See § 4357(b)(1).

natural gas companies. HCD has primary jurisdiction with MHPs that use propane and have no option for natural gas service, and such MHPs did not participate in the MHP pilot. As a result of these jurisdictional differences, the MHP Conversion Program for gas systems is currently available only to MHPs that receive gas service from an investor-owned utility (IOU). Similarly, the Commission lacks regulatory authority over municipal or public agency utilities that serve master-metered natural gas or electric MHPs, so they, too, were not included in the MHP Pilot and do not participate in the current MHP Conversion Program.

3. Issues Before the Commission

This first decision in Phase 2 addresses the issue of consumer protections for residents of MHPs that participate in the MHP Conversion Program adopted in D.20-04-004. The intention of the MHP Pilot Program was to encourage the transition away from master meter/submeter systems at MHPs, and thereby encourage the ability of MHP residents to receive direct utility service from their local utility and resulting safety benefits. Such conversions often involve upgrades of the utility distribution infrastructure in order to meet the requirements for system transfer. As a result, participation in the MHP Conversion Program may have the effect of increasing the value of an MHP, including the potential to increase the rent an MHP owner could charge (or that a tenant must pay) for rental of a space or unit.

The intent of this decision is to protect residents from experiencing unreasonable rent increases or evictions due to infrastructure improvements funded through the MHP Conversion Program. Because the Commission's jurisdiction over MHPs is narrow and the MHP Conversion Program is offered by Commission-regulated investor-owned utilities that have limited influence on

factors such as MHP rents, the consumer protections adopted here reflect these realities and are intended to be simple, straightforward, and easily administered.

4. Consumer Protection

In Phase 1 of this proceeding, parties expressed a variety of positions on the appropriateness of adopting provisions to protect residents of MHPs that participate in the MHP Conversion Program. It is the owners of MHPs (or their representatives) that choose whether to participate in this Program, not the MHP residents. This creates the potential for MHPs to receive infrastructure improvements through the Program that increase the value of the MHP, potentially allowing operators to raise rents of current residents or to displace residents in order to attract occupants willing to pay more. Throughout this proceeding, parties have raised the appropriateness of the Commission enacting consumer protections to mitigate the possibility of such negative consequences. This decision adopts language to be added to the MHP Utility Upgrade Program Agreement (MHP Program Agreement) contained in D.20-04-004 Appendix D to help guard against this possibility.

4.1. Phase 1 Consumer Protection Proposals

Early in Phase 1, TURN raised the possibility that a “serious unintended consequence of the [MHP Conversion Program] could be significant rent increases for MHP spaces post-conversion, and the Commission should consider requiring assurance from park owners regarding near-term rent increase as a condition of participation.”¹¹ On February 24, 2020, the CPUC issued a Proposed Decision (PD) agreeing with TURN that rent increases could be an issue for

¹¹ See Comments of The Utility Reform Network on Administrative Law Judge’s Ruling Seeking Comments on Workshop #2 Materials and Outstanding Scoping Memo Questions, May 6, 2019 at 12.

renters in participating MHPs and assigning the IOUs responsibility for collecting data on post-conversion rents in order to assess whether MHP owners are using the Program to significantly increase rents.¹² In comments on that PD, parties were generally opposed to the data collection proposal, and several parties argued that there was not enough information in the record to demonstrate that rent increases are a significant issue for the Program. In particular, the Western Manufactured Housing Communities Association (WMA) did not support the inclusion of consumer protections in the MHP Conversion Program, and the investor-owned utilities (IOUs) specifically objected to the data collection proposal, arguing that collection of rent data is beyond the scope of their operations. In contrast, TURN recommended that the CPUC adopt rent control policies for participating MHPs. Ultimately, parties in Phase 1 did not agree on an approach to consumer protection, and the record was insufficient to support adoption of a specific proposal. As a result, D.20-04-004 deferred the issue to Phase 2.

4.2. Staff Proposal

The scoping memo for Phase 2, issued on December 23, 2020, set a process and schedule for the development of more specific consumer protections. Consistent with the schedule, the ALJ issued a ruling on February 12, 2021, distributing a staff consumer protection proposal, and allowing parties to file comments or alternative proposals, as well as reply comments, before the end of March 2021. That ruling also set a workshop on consumer protections for early April.

The staff proposal was intended to accomplish three key goals:

¹² See PD at 93-94.

- Protect MHP residents, especially tenants, from unreasonable rent increases or evictions as a result of an MHP's participation in the MHP Conversion Program;
- Avoid placing a burden on MHP owners that discourages their participation in the Program; and
- Be easy to incorporate into existing program documents and processes, to minimize the need for extra administration by IOUs or MHPs.

Consistent with these goals, the staff proposal recommended the addition of the following language to the standard MHP Program Agreement:

The property owner cannot raise the rent of a unit because of the increased value of the unit due solely to infrastructure improvements provided by the MHP Program. Allowable factors for rent increase include, but are not limited to, an increase in property taxes, operation and maintenance costs, and/or amortizing costs of property improvements other than those made by the MHP Program.

This proposed language was intended to balance the interests of MHP owners and tenants by ensuring that participating MHP owners explicitly agree not to raise rents due solely to increased value attributable to Program participation, while allowing some flexibility to owners to raise rents due to non-Program-related costs. Staff asserted that this approach would create “minimal additional administrative time or cost to implement.”¹³ The added language could be inserted in the regular MHP Program Agreement, requiring MHP owners who participate in the Program not to raise rent due to participation while avoiding the creation of additional paperwork, processing time, or administrative work.

¹³ Staff Proposal, attached to February 12, 2021 Ruling, at 6.

The staff proposal did not include adoption of any enforcement mechanism related to this new language. In support of this choice, staff noted that it is not clear what entity would be responsible for enforcement of the provision, given the Commission's limited jurisdiction and the IOUs' lack of experience with housing policy and tenant protections. On the other hand, the existence of the clause could empower tenants to advocate for themselves with their landlords, and, if necessary, could allow tenants to take claims that the provision has been violated directly to the legal system.

On March 15, 2021, the Commission received six sets of comments on the staff proposal;¹⁴ no parties provided an alternative proposal. Four parties or groups of parties¹⁵ filed reply comments on March 29, 2021, and the Energy Division hosted a workshop to discuss the staff proposal and party comments on April 13, 2021. The schedule originally contemplated in the Phase 2 Scoping Memo contained a possible opportunity for post-workshop comments and requests for evidentiary hearings, however, given the high level of agreement among parties, additional process is not necessary.

4.3. Party Positions

In contrast to Phase 1, parties in Phase 2 generally agree that if the Commission chooses to adopt consumer protections for this Program, the structure for protections recommended in the staff proposal (that is, addition of a clause to the MHP Program Agreement) is reasonable. No parties provided

¹⁴ The following parties or groups of parties filed Comments on the Staff Proposal on March 15, 2021: WMA; PG&E; SCE; SDG&E/SoCalGas (jointly, as Sempra); TURN; and Bear Valley, Liberty Utilities, and PacifiCorp (jointly, as the California Association of Small and Multi-Jurisdictional Utilities (CASMU)).

¹⁵ The following parties or groups of parties filed Reply Comments on March 29, 2021: WMA, PG&E, SCE, and SDG&E/SoCalGas (jointly).

alternative proposals for enacting consumer protections. Nearly all parties participating in Phase 2 actively support adoption of the staff proposal, though some advocate for minor modifications to the language. An exception to this is PG&E, which does not actively support adoption of consumer protections, but states that it does not object to the concept of adding consumer protection language to the MHP Program Agreement.

Overall, PG&E, SCE, and (jointly) SDG&E and SoCalGas (together, the large investor-owned utilities or IOUs) agree that if consumer protections are adopted, the addition of language to the MHP Program Agreement (potentially as an addendum to that agreement) is an appropriate method to support the interests of tenants without significantly discouraging MHP participation in the Program. All four large investor-owned utilities recommend that the Commission avoid including additional restrictions or requirements that might make MHP owners less likely to participate. The IOUs also request that, if the Commission adopts a consumer protection framework similar to the one proposed, that utilities be given 45 days after the protections are adopted in which to implement changes to the MHP Program Agreement.¹⁶

Two parties, WMA and the Sempra utilities, take issue with the staff proposal's statement that MHPs do not incur any costs in order to participate in the Program. These parties suggest that there are some costs that an MHP owner or operator may incur as a result of participating. For example, these parties note that an MHP owner may need to pay for permits from a local government in the event a project includes locally controlled activities such as construction to make infrastructure upgrades. In addition, MHP owners may incur costs for actions

¹⁶ SCE Opening Comments at 2.

such as environmental remediation, moving the location of underground facilities, or street paving, if necessitated by upgrade activities. WMA also asserts that residents as well as owners can benefit from increased property values resulting from infrastructure improvements from Program participation. Neither party suggests specific modifications to the proposed new language for the MHP Program Agreement, but they argue that it is not reasonable to base consumer protection decisions on the premise that participating MHPs incur no costs.

WMA notes that because the proposed language refers specifically to MHP owners, it may not apply to situations in which an individual resident of an MHP owns their own unit within the larger MHP. WMA recommends minor modifications to the agreement language to address such situations.¹⁷

TURN supports the protection framework proposed by staff, at the same time suggesting several ways in which they assert that the staff proposal language could be improved to provide additional protections. In particular, TURN argues for adding language that requires residents be notified of their MHP's participation in the Program and relevant consumer protections, and suggests as one option that this could be accomplished by providing residents with a copy of the full MHP Program Agreement or the relevant portions of the agreement.¹⁸ Most other parties do not object to some sort of tenant notification provision, though the Sempra utilities and SCE specify that the MHP owner, rather than the relevant IOU, should be responsible for any required notifications to MHP residents.¹⁹ SCE further suggests that it is not appropriate or necessary

¹⁷ WMA Opening Comments at 2.

¹⁸ TURN Opening Comments at 1.

¹⁹ Sempra Reply Comments at 2, SCE Reply Comments at 3.

to provide the full contract between a utility and MHP owner to third parties in order to accomplish tenant notification, and others suggest that this could be avoided by including the relevant consumer protection language in an addendum to the MHP Program Agreement or in a separate notice, which could then be shared with residents,²⁰ including by posting it in common areas of the MHP.²¹

In addition, TURN recommends that the Commission broaden the proposed language that limits rent increases “due solely to program participation” to remove the word “solely.” TURN expresses concerns that this language would require residents to prove that Program participation is the only factor involved in a given rent increase in order to access protection.²² TURN suggests that this change, along with specifying a timeframe (minimum two years) in which any rent increases associated with program participation are prohibited, will provide additional protection to residents.²³

CASMU suggests that the language added to the agreement could include contact information for HCD’s Mobilehome Residency Law Protection Program (MRLPP), to facilitate the filing of consumer complaints if necessary.²⁴ In its reply comments, WMA argues that requiring this is unnecessary because information on the MRLPP is already easily available to residents.²⁵

²⁰ SCE Reply Comments at 3.

²¹ SCE Reply Comments at 3

²² TURN Opening Comments at 2.

²³ TURN Opening Comments at 2.

²⁴ CASMU Opening Comments at 3.

²⁵ WMA Reply Comments at 2-3.

No parties explicitly objected to the proposal's lack of a specific enforcement mechanism, given the Commission's limited jurisdiction over and experience with housing policy, though TURN did suggest providing residents with more information to support tenants that believe enforcement is needed. In general, parties provided constructive comments focused on refining the specific language recommended in the staff proposal. We will consider these comments and suggestions in the next sub-sections.

4.4. Discussion

No parties object to the consumer protection framework proposed by staff, and many parties provided constructive, and mostly minor, suggestions to address potential unintended or unforeseen consequences of implementing the framework. Based on party comments, we find that it is reasonable for the Commission to adopt consumer protections for participation in the MHP Conversion Program based on the approach and language included in the staff proposal. We will address the main suggestions for modifying the language here.

4.4.1. Implementing Protections via the MHP Program Agreement

No parties object to the basic framework proposed by staff, in which consumer protections would be implemented via language added to the MHP Program Agreement that makes MHP residents third-party beneficiaries of the contract with respect to these consumer protections. This approach protects residents of participating MHPs from rent increases due to property improvements funded through the Program by empowering them to identify prohibited rent increases and take steps to enforce their rights under the MHP Program Agreement through existing legal or regulatory channels. This helps to ensure that ratepayer funding is not used to benefit MHP owners at the expense

of their residents. Parties suggest that this design is easy for the IOUs to implement, requiring only a one-time modification of the MHP Program Agreement. In addition, this program structure ensures that MHP owners understand and agree to provide tenant protections when enrolling in the Program. Finally, this approach is easy to administer in that it does not require paperwork or tracking separate from those already associated with the existing Program. As a result, this method of implementing consumer protections is both reasonable and consistent with the goals established in the staff proposal.

The respondents in this proceeding (PG&E, SCE, SDG&E/SoCalGas, Liberty, PacifiCorp, Bear Valley, and Southwest Gas) shall add the consumer protection language adopted in Ordering Paragraph 2 to the MHP Program Agreement for the MHP Conversion Program beginning 45 days after the adoption of this decision. The utilities shall work collaboratively with other interested parties to determine whether this language is added in the body of the agreement or an appendix, as long as the final agreement makes clear that the consumer protections adopted are mandatory for all Program participants.

4.4.2. Tenant and Resident Notice of Program Participation

The original staff proposal did not contain a mechanism for ensuring that residents of participating MHPs are aware of the consumer protections that would be provided to them through the Program. No parties objected to TURN's suggestion that residents should be made aware of any protections that we adopt, and those that addressed the issue generally agreed that responsibility for notifying MHP residents of these protections properly rests with the MHP owner. We agree that MHP residents should be proactively informed of the consumer protections built into the MHP Conversion Program. This is especially

necessary for consumer protections, like those adopted in this decision, that lack an independent enforcement mechanism, and so depend on consumers to identify and act on potential violations. As a result, it is reasonable to add a notification provision to the language proposed by staff. The MHP owner or their representative, as the one choosing to participate in the Program and the one with a pre-existing relationship with tenants, should be responsible for notifying MHP residents of Program participation, including the consumer protections listed in the MHP Program Agreement. This decision modifies the language contained in the staff proposal to include a requirement that the participating MHPs take specific steps to notify their residents of the Program's consumer protection provisions. With respect to the question of whether consumer notice should include the full MHP Program Agreement, the relevant portion of the agreement (potentially an addendum), or a separate notice that includes all the information adopted here, we find that it is not necessary or appropriate for residents to receive an actual copy of the full MHP Program Agreement, which contains many terms not relevant to consumer protection. In implementing this decision, utilities may choose to include the newly added language as an addendum to the agreement itself, which can be reproduced as notice to customers, or they may develop separate notice formats that include at least the required language.

Though some parties suggest that posting notice in common areas of an MHP could provide adequate notice to MHP residents, we find that residents should receive individual written notice of Program participation and the attendant consumer protections within three days of transfer of the system to the utility. We encourage MHP owners also to post similar notices in common areas of the MHP, but this is not required. Individual notice to residents will ensure

that those who live in MHPs without common areas, and those who rarely visit common areas, receive direct notice of both Program participation and the consumer protections adopted here.

All participating utilities shall submit an Advice Letter 45 days after the adoption of this decision (*see* Subsection 4.5 below) documenting their compliance with this decision. This Tier 1 Advice Letter shall include the updated MHP Program Agreement with this language added, and shall describe the specific information and allowable formats and methods for participating MHPs to use when providing required notice to their residents.

4.4.3. Rent Increase Restriction Language

4.4.3.1. Costs of Program Participation Not Covered by the Program

The staff proposal presupposed that in most or all situations, MHPs would not incur costs as a result of participation in this ratepayer-funded program. As noted by parties, there are foreseeable exceptions to this in which MHP owners may incur unavoidable costs as a result of Program participation. Nevertheless, the consumer protection language proposed by staff does not directly address potential MHP participant costs. Instead, the language focuses on protecting MHP residents from rent increases resulting from improvements to the property and associated increases in property values from Program participation. Property value increases from infrastructure improvements will be situation-specific, and they may or may not be proportionate to amounts spent by MHP owners or the Program itself for participation. As a result, parties did not recommend specific modifications to the consumer protection language. The purpose of the comment on potential costs to owners seemed to be to provide more accurate context for understanding some reasons that MHP residents

should be protected from potential negative outcomes associated with Program participation.

In most cases, we expect costs to participating MHPs to be relatively small compared to the ratepayer funding expended for a given MHP conversion project, and it is likely that MHP owners are aware of some or all of the costs they are likely to incur at the time they agree to participate. While we recognize that participating in the Program may involve some cost for MHP owners, we also note that participation is voluntary. As a result, MHP owners may consider these out-of-pocket costs when determining whether to enroll in the Program. On balance, the MHP Conversion Program provides substantial ongoing benefits to participating MHPs by upgrading essential utility infrastructure, and may save MHPs the cost of future maintenance and operation of the submeter system.

The language on this issue contained in the staff proposal was provided as context, and is not directly referenced in the proposed consumer protection language itself. As a result, though we acknowledge that MHPs may incur some out-of-pocket costs due to their participation in the Program, we find that in general, MHPs will participate only if they believe that participation is beneficial to them on balance, and given the design of the MHP Conversion Program, it is likely that participation will be beneficial for most or all MHP owners. In summary, though MHP owners may incur some costs associated with Program participation, we find that it is not necessary to reword the proposed language in light of this.

4.4.3.2. Rent Increase Limitations Based on Program Participation

Some parties expressed additional concerns about the application of the staff proposal's rent increase limitation language. Specifically, TURN expressed

concerns that inclusion of the word “solely” in the description of what property value increases cannot be passed on through rent would allow MHP owners to attribute increases in property value to improvements mostly unrelated or tangentially related to the Program, even when those may be partly attributable to Program participation. According to TURN, this could undermine the consumer protections included in the Program, particularly by making it difficult for residents to successfully prove that a particular rent increase was due solely to an MHP’s participation in the Program.

As discussed throughout this decision, we are balancing the goals of encouraging Program participation with using ratepayer money appropriately and efficiently. Removing the word “solely” and applying rent increase restrictions to property value increases not directly related to the Program could discourage MHP owners from making additional improvements while participating in the Program, out of concern for not being able to recover those costs. For example, Program participation may facilitate or reduce costs of other improvements not directly related to the Program (*e.g.*, fixing leaks, improvements to weatherization, repair of pre-existing damage found in the course of the upgrade), and many of these activities could be beneficial for residents as well as MHP owners. It is not our intention for these consumer protections to discourage such activities. In this context, we believe that it is reasonable to apply rate increase restrictions to property value increases due solely to Program participation.

4.4.3.3. Application of Increase Restrictions to Rent of Both the Space and Unit

Parties note that the staff language, as proposed, does not make clear whether the rent increase restrictions apply to rent of both a space within a

participating MHP as well as the actual unit occupying that space. The intent of consumer protections under the MHP Conversion Program is to protect residents from any rent increases due to Program participation, so both types of rent payments should be included in the rent restriction language. Failure to extend the Program this way could exclude resident-owned parks, or resident-owned units within non-resident-owned MHPs, from the consumer protection language. In particular, this could create a situation in which MHP owners could bypass the rental restriction by limiting increases to either the space or the unit, or could allow the individual owners of units within an MHP to benefit unfairly from this ratepayer-funded Program. Such an approach is not consistent with the purpose of the consumer protection language. As a result, the language adopted in this decision has been modified from the proposed language to explicitly prohibit both property owners and residents from raising rent based on ratepayer-funded improvements made through the Program, and to note that rent of both a space and a unit are covered by these restrictions.

4.4.3.4. Duration of Rent Increase Restrictions

The language proposed by staff does not include a timeframe during which the restriction on rent increases would apply; as a result, under the proposed language, the prohibition on rent reflecting increased property values due to Program participation would apply indefinitely. TURN suggests that adding a specific duration of at least two years to the rent restriction language would strengthen consumer protections.

As discussed above, we are limiting the rent increase restriction provision to property value increases directly attributable to participation in this ratepayer-funded program. It is likely that any changes to property values due specifically to participation would take place during or immediately after work under the

Program is completed at a given MHP. Logically, increases in property values caused by Program activities are likely to be incorporated into rents either when Program work is complete, for renters without a long-term lease, or at the first opportunity to renew leases, for longer-term residents. As a practical matter, this suggests that a two-year timeframe after completion of the MHP Conversion Program for the rent restrictions may be adequate.

Still, this Program is paid for by ratepayers, not MHP owners, and owners already receive multiple other benefits from Program participation, even without the ability to raise rents. For example, to the extent that Program participation results in a transfer of infrastructure to the utility, the MHP owner is likely to experience lower operating costs over time for maintenance and inspections, which will become the responsibility of the utility. MHP owners may also experience reductions in insurance or other payments due to improved safety of upgraded systems. In addition, in the long run an MHP owner, not individual renters or residents, would realize any property value increases through an increased sale price if or when the owner chooses to sell the property. Given these other potential benefits of participation for MHP owners, we do not believe that it is necessary to also allow MHPs the opportunity to increase rents based solely on improvements resulting from participation in this Program, which is primarily funded by ratepayer dollars.

The purpose of the protections is to protect residents specifically from rent increases due to Program participation. It is not the Commission's role to enact general rent control provisions for participating MHPs and the Commission is not the appropriate entity to either enact or enforce most rent restrictions. The protections adopted here are not general rent control provisions; they simply establish reasonable conditions MHPs must accept in order to receive ratepayer

funding through the program. As a result, the limitation adopted here is based on and should be limited to the value increases from a particular source, specifically work funded through the ratepayer-funded MHP Conversion Program. Due to the limitation that the restriction applies only to increases due solely to participation in the Program, it is unlikely that rent increases made more than two years after participation will be clearly attributable to this Program. Nevertheless, our intention is to permanently protect residents from rent increases resulting from participation. We do not want to encourage MHP owners to simply delay incorporating property value increases into their rent; we want this protection to be lasting. As a result, it is reasonable and consistent with the purpose of these consumer protection provisions not to limit them to a specific duration. Our focus is on the source of the increase, and ensuring that MHP owners do not benefit from ratepayer-funded improvements made through this Program, particularly at the expense of their residents, at any time.

As a result, we do not add a specific timeframe or sunset date to the rent increase restrictions, as recommended by TURN. It is reasonable to require MHP owners to agree to this narrow rent restriction as a condition of receiving ratepayer funding through Program participation. We do not believe that making this protection indefinite will negatively affect the operation of participating MHPs or discourage them from participating in the Program given the significant benefits to MHP owners and residents. MHPs that do not see a benefit to participating are unlikely to participate in the Program regardless of whether we include a sunset provision.

4.4.4. Addition of Contact Information for the Mobilehome Residency Law Protection Program

CASMU suggests including the contact information for the Mobilehome Residency Law Protection Program in any notice to residents of participation in the MHP Conversation Program. CASMU suggests that this would provide residents with an additional level of consumer protection by facilitating their ability to file a complaint in the event that they feel the consumer protection provisions have been violated. WMA does not agree that this is necessary. Because the Commission has limited regulatory authority over MHPs and is not adopting a specific enforcement mechanism as part of these protections, these protections will be enforced only to the extent that tenants initiate enforcement actions through the legal system or other avenues available to MHP residents. Because of this, it is reasonable to facilitate knowledge of and access to existing mechanisms that protect MHP residents. We agree that both the name and current contact information for the MRLPP should be included in the MHP Program Agreement, and we further require that the information be included on any notice to residents about Program participation and consumer protections. We identify the current contact information for the MRLPP below in the final adopted consumer protection wording, and we authorize the utilities to work with HCD and the MRLPP to update the contact information as necessary in the future.

4.5. Implementation Time for the New Requirements

The utilities participating in this proceeding recommend that the Commission set an implementation date at least 45 days after the adoption of this decision to provide time to integrate new language into the MHP Program Agreement. No parties object to this request. It is reasonable to provide utilities

with 45 days after the adoption of this decision to prepare and submit a Tier 1 Advice Letter in compliance with these requirements. This will give the utilities 45 days to implement this new language and incorporate it into the MHP Program Agreement. If participating utilities have a reason to update the MHP Program Agreement in future years, they shall include the wording adopted in this decision in the updated agreement, and will include contact information for MRLPP that is current at the time a new agreement is finalized. In the event that the participating utilities do update the agreement, they shall file a new Tier 1 Advice Letter requesting Commission approval for changes to that agreement.

5. Outcome

For the reasons discussed in this decision, the Commission requires the following consumer protection language to be included in the MHP Program Agreement. The adopted language is shown with additions to the staff proposal in boldface and the words eliminated shown in strikethrough.

The MHP residents are intended third party beneficiaries with respect to the protections contained in this clause, and shall have the sole right to enforce this clause:

The property owner(s) and/or the resident shall ~~can~~not raise the rent of a unit or space because of the increased value of the unit due solely to infrastructure improvements provided by the MHP Program. Allowable factors for rent increase include, but are not limited to, an increase in property taxes, operation and maintenance costs, and/or amortizing costs of property improvements other than those made by the MHP Program. The owner(s) of the MHP shall provide notice of this protection from rent increases due to participation in the MHP Utility Conversion Program in writing to each MHP resident within 3 days of transfer of the MHP infrastructure to the utility following program completion. That notice will include the current contact information for mobilehome resources, such as the Mobilehome Assistance Center and the Mobilehome Residency Law Protection Program at:

Mobilehome Assistance Center (Complaints): (800) 952-8356
MHAssistance@hcd.ca.gov

P.O. Box 278690 Sacramento, CA 95827-8690

Mobilehome Residency Law Protection Program (MRL Complaints):
(800) 952-8356

MRLComplaint@hcd.ca.gov

P.O. Box 278690 Sacramento, CA 95827-8690

These protections will apply prospectively to MHPs that sign the MHP Program Agreement as updated consistent with the provisions adopted here. Within 45 days of adoption of this decision, all participating utilities shall submit a Tier 1 Advice Letter to Energy Division documenting their compliance with this decision, including the updated MHP Program Agreement with this language added. The Advice Letter shall describe the specific information to be communicated to residents of participating MHPs, as well as a range of allowable formats and methods for participating MHPs to use when providing required notice to their residents.

6. Comments on Proposed Decision

The proposed decision (PD) of ALJ Jessica T. Hecht 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 July 29, 2021, by CASMU, PG&E, SCE, Sempra, and WMA. CASMU, PG&E, Sempra, and TURN filed reply comments on August 3, 2021. WMA opposes the adoption of any type of rent restriction for MHPs participating in the MHP Conversion Program; other parties are generally supportive of the structure described in the PD, with some recommending minor modifications.

WMA characterizes the provision that MHP owners cannot pass through to residents any property value increases due solely to ratepayer-funded improvements through the MHP Conversion Program as “enacting [a] general rent control provision.”²⁶ In addition, in direct contradiction to decision language, WMA asserts that the Commission is “seeking to be the enforcement agency” for those provisions,²⁷ an undertaking that WMA claims would require the addition of “dozens of staff members to handle the rent control applications.”²⁸

The WMA comments mischaracterize the provisions of the PD related to treatment of increases in property values, which are limited and well within the Commission’s jurisdiction as such benefits stem directly from the ratepayer funded MHP program. The rate increase limitation in this decision is narrowly focused on ensuring that MHP owners that voluntarily participate in the program do not receive a windfall of increased rent based on property improvements funded with ratepayer money. The PD does not adopt a “general rent control provision,” and instead establishes a condition (specifically, a narrow rent increase limitation) that MHPs must agree to in order to receive ratepayer funding through the program. This condition of program participation will be disclosed in writing as part of the MHP Program Agreement before an MHP commits to participating, allowing MHP owners to make an informed decision on whether participation is, on balance, in the MHP’s interests. MHP owners that do not find the program to be beneficial overall are free to decline to

²⁶ WMA Comments on PD at 10.

²⁷ WMA Comments on PD at 5.

²⁸ WMA Comments at 12.

participate, in which case they will not receive ratepayer funding and will not be bound by the limited rent restriction required of program participants.

Despite the fact that the PD explicitly states that the Commission is not creating an enforcement mechanism for the consumer protections adopted in this decision, WMA's comments on the PD assume the opposite. WMA's comments appear to presuppose that the Commission will require regular filing of rent increase applications with the Commission in advance of implementation of any increase in rent: "the PD has made no provision for a standard allowed annual rent increase that avoids the need for filing a rent increase application."²⁹ These claims are not simply exaggerated, but have no basis in the language of the PD itself. These claims are particularly surprising because WMA's comments on the Staff Proposal acknowledged and supported the conclusions ultimately adopted by the Commission, that it is not necessary to develop or adopt a specific enforcement mechanism at this time, and that the protections instead should be enforced by tenants through pre-existing channels (e.g., civil actions).³⁰ It is not necessary to make changes to the PD in response to these WMA comments, which mischaracterize and in some cases explicitly misrepresent the decision.

Other parties generally support the PD, in some cases with small modifications. In particular, CASMU and the large investor-owned utilities recommend minor changes to clarify utility responsibilities with respect to the resident notification provisions, while TURN expresses support for the PD and recommends against further modifications. Small changes and technical

²⁹ WMA Comments on PD at 11-12.

³⁰ WMA Comments on Staff Proposal at 3, "WMA agrees with staff that no enforcement mechanism or new remedies should be considered now...as staff correctly notes, it is incumbent upon the tenant to pursue complaints through existing legal channels, such as small claims court."

clarifications have been made throughout the decision in response to these comments, where appropriate.

7. Assignment of Proceeding

Clifford Rechtschaffen is the assigned Commissioner and Jessica T. Hecht is the assigned ALJ in this proceeding.

Findings of Fact

1. The MHP Conversion Program facilitates the conversion of MHPs with master meter/submeter systems to systems in which the utility serves customers directly.

2. Conversions to direct utility service often involve upgrades of the MHP distribution infrastructure in order to meet the requirements for system transfer.

3. Participation in the MHP Conversion Program provides MHPs with ratepayer-funded infrastructure improvements that increase the property value of the MHP.

4. Increased property values may allow operators to raise rents of current residents or to displace residents in order to attract occupants willing to pay more, which could have a negative effect on MHP residents at the time of Program participation.

5. Decision 20-04-004 established a 10-year MHP Conversion Program to run from 2021 through 2030, but did not adopt consumer protections as part of the Program.

6. The MHP Conversion Program is offered by Commission-regulated investor-owned utilities that have limited influence on factors such as MHP rents.

7. Incorporating consumer protections into the MHP Program Agreement used when enrolling MHPs in the MHP Conversion Program is an appropriate

and efficient way to implement consumer protections without significantly discouraging MHP participation in the Program.

8. Requiring MHP owners to agree not to raise rents on MHP spaces or units due solely to property value increases related to Program participation protects MHP residents from potential negative consequences from an MHP's participation in the MHP Conversion Program.

9. It is reasonable to require MHP owners to agree to a narrow rent restriction as a condition of receiving ratepayer funding through Program participation.

10. It is reasonable to add a notification provision to the language proposed by staff.

11. MHPs owners may incur some out-of-pocket costs due to their participation in the Program.

12. Because the MHP Conversion Program is voluntary, MHPs will participate only if they believe that, on balance, the benefits of participation outweigh the costs.

13. Given the design of the MHP Conversion Program, it is likely that participation will be beneficial for most qualifying MHP owners.

14. Applying rent increase restrictions to property value increases not directly related to the Program could discourage MHP owners from making additional improvements while participating in the Program.

15. It is reasonable for participants in the MHP Conversion Program to facilitate knowledge of and access to existing mechanisms that protect MHP residents.

16. The participating jurisdictional utilities will need time to revise the MHP Program Agreement for 2021-2022 to incorporate consumer protections.

17. It is reasonable to provide utilities with 45 days after the adoption of this decision to prepare and submit Tier 1 advice letters in compliance with these requirements.

18. In the event that the participating utilities update the MHP Program Agreement in the future, it is appropriate for them to file new Tier 1 Advice Letters requesting Commission approval for changes to that agreement.

Conclusions of Law

1. Pursuant to § 2791(a), state law encourages the transfer of master metering systems in MHPs and manufactured housing communities to gas or electric company ownership.

2. Sections 4351 through 4361 give the Commission jurisdiction over the safety of master-metered natural gas systems in MHPs. In January 1995, the Commission also assumed jurisdiction over the safety of propane master tank distribution systems in compliance with §§ 4451 through 4465.

3. The Commission's jurisdiction over MHPs is limited.

4. Because the Commission's jurisdiction over MHPs is limited to specific aspects of their operations, the Commission shares jurisdiction over MHPs, most notably with the California Department of Housing and Community Development.

5. The Commission should protect MHP residents from experiencing unreasonable rent increases or evictions due to infrastructure improvements funded through the MHP Conversion Program.

6. Because of the limitations in Commission jurisdiction and utility influence, any consumer protections the Commission adopts for the MHP Conversion Program should be simple, straightforward, and easily administered.

7. Including consumer protection requirements in the MHP Program Agreement signed by MHPs participating in the MHP Conversion Program offers is consistent with the Commission's jurisdiction over MHPs.

8. Utilities should be given 45 days after consumer protections are adopted for the MHP Conversion Program in which to implement changes to the MHP Program Agreement.

9. The utility respondents in this proceeding should add the consumer protection language in Ordering Paragraph 2 to the MHP Program Agreement within 45 days of the issuance of this decision.

10. Responsibility for notifying MHP residents of the consumer protections provided in the MHP Conversion Program properly rests with the MHP owner.

11. MHP owners participating in the MHP Conversion Program should directly and proactively inform residents of the consumer protections built into the MHP Conversion Program.

12. Rent payments for both a space in an MHP and for the unit occupying that space should be included in the rent restriction language.

13. The rent increase restrictions adopted as a condition for MHP participation in this Program and outlined in the MHP Program Agreement should apply indefinitely to the rent for both the MHP space and unit.

14. Contact information for the Mobilehome Residency Law Protection Program should be included in the MHP Program Agreement for the MHP Conversion Program and in any notice to residents of participation in and consumer protections under the Program.

15. This proceeding should remain open.

O R D E R

IT IS ORDERED that:

1. The consumer protection language recommended in the Staff Proposal issued on February 12, 2021, is adopted with the modifications discussed in this decision.

2. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Southern California Gas Company, Bear Valley Electric Service Inc, Liberty Utilities (CalPeco Electric) LLC, PacifiCorp, and Southwest Gas shall add the following language to the Mobilehome Park (MHP) Utility Upgrade Program Agreement (MHP Program Agreement), contained in Decision 20-04-004 Appendix D, that is signed by MHPs participating in the MHP Utility Conversion Program:

The MHP residents are intended third party beneficiaries with respect to the protections contained in this clause, and shall have the sole right to enforce this clause:

The property owner(s) and/or the resident shall not raise the rent of a unit or space because of the increased value of the unit due solely to infrastructure improvements provided by the Mobilehome Park (MHP) Utility Conversion Program (MHP Conversion Program or Program). Allowable factors for rent increase include, but are not limited to, an increase in property taxes, operation and maintenance costs, and/or amortizing costs of property improvements other than those made by the MHP Conversion Program. The owner(s) of the MHP shall provide notice of this protection from rent increases due to participation in the MHP Conversion Program in writing to each MHP resident within 3 days of transfer of the MHP infrastructure to the utility following program completion. That notice will include the current contact information for mobilehome resources, including but

not necessarily limited to the Mobilehome Assistance Center and the Mobilehome Residency Law Protection Program:

Mobilehome Assistance Center (Complaints)

Phone: 1-(800) 952-8356

E-mail: MHAssistance@hcd.ca.gov

Mailing Address: P.O. Box 278690, Sacramento, CA 95827-8690

Mobilehome Residency Law Protection Program (Complaints)

Phone: 1-(800) 952-8356

E-mail: MRLComplaint@hcd.ca.gov

Mailing Address: P.O. Box 278690, Sacramento, CA 95827-8690

Participating utilities shall update the contact information for these resources in the MHP Program Agreement and notices as needed.

3. The utilities shall require Mobilehome Parks (MHP) participating in the MHP Utility Conversion Program to inform their residents in writing of the consumer protections adopted in this decision, including up-to-date information on the MHP resources identified in the consumer protection language set forth in Ordering Paragraph 2. Specifically, the utilities will include the language adopted in this decision in the updated MHP Program Agreement and will provide a written reminder of this notice requirement to the MHP owner upon transfer of the system to the utility.

4. Within 45 days of the issuance of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Southern California Gas Company, Bear Valley Electric Service Inc, Liberty Utilities (CalPeco Electric) LLC, PacifiCorp, and Southwest Gas shall submit a Tier 1 Advice Letter to the Commission's Energy Division in compliance with this decision. That Advice Letter shall include an updated Mobilehome Park Utility Upgrade Program Agreement that contains the

consumer protections adopted in this decision, including a description of the specific information that participating MHP owners will provide to residents, as well as a discussion of methods the MHP owners may use to communicate these protections to their residents.

5. In the event that Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Southern California Gas Company, Bear Valley Electric Service Inc, Liberty Utilities (CalPeco Electric) LLC, PacifiCorp, and Southwest Gas update the Mobilehome Park Utility Upgrade Program Agreement in the future, they shall file a new Tier 1 Advice Letter explaining any updates.

6. This proceeding remains open to address additional issues identified in the Phase 2 Scoping Memo issued on December 23, 2020.

This order is effective today.

Dated August 19, 2021, at San Francisco, California.

MARYBEL BATJER

President

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE HOUCK

Commissioners