

Decision 23-04-057 April 27, 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, PERFORM ELECTRIC
SYSTEM UPGRADES, AND OFFER HOUSEHOLDS AN ELECTRIFICATION
OPTION 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, PERFORM ELECTRIC SYSTEM UPGRADES, AND OFFER HOUSEHOLDS AN ELECTRIFICATION OPTION 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, a master metered Pacific Gas and Electric Company (PG&E) gas customer that provides gas service to households in the community. This decision directs PG&E to convert the Santa Nella subdivision currently served by SNME, Inc. to direct utility gas service and simultaneously upgrade the electric infrastructure, as well as offer households an electrification option.

Community-level electric upgrades will be provided. Regarding the option to electrify, the default will be to provide new direct gas service to households, but households will first be provided energy impact estimates and other information about gas versus full electric service and will be given the chance to choose to fully electrify instead. Homeowners who choose to electrify will forgo gas service to their homes and will receive electric appliances, and the in-home electrical upgrades necessary to support those appliances, at no direct cost.

The proceeding is closed.

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 OIL. 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 OIL. The assigned Commissioner issued a scoping ruling and memo (Scoping Memo) on December 16, 2022. On January 19, 2023, PG&E filed an opening brief in response to the Scoping Memo.

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 PG&E's service territory, directly adjacent to the Interstate 5 freeway. Within Santa Nella is a subdivision

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

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 registered 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 MHP. Currently, 47 manufactured homes remain part of the MHP and are therefore under the jurisdiction of the California Department of Housing and Community Development (HCD). The entire subdivision 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. There is no obvious physical divide between the MHP portion of the community and the individually owned portion.

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 of this Decision is an aerial view of the Santa Nella subdivision that is the focus of this proceeding.⁴

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
Footnote continued on next page.

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 in the Santa Nella subdivision, including the 233 lots no longer part 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 (Santa Nella MHP), 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 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.

subdivision that remains part of the original MHP consists of the non-RV lots in the upper left corner of the picture.

⁵ OII at Attachment B.

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 generally houses 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.

The OII also noted risks due to the unusual structure of electrical meter banks:

In 2013, the Santa Nella community experienced an unusual fire incident when an abandoned coach caught fire and that fire then spread to electrical panels and conduit powering more than 30 homes, shutting down electric supply for nearly two months. Because the damage was to behind-the-meter infrastructure, PG&E determined that they had no authorization or responsibility to repair the damage. Instead, electrical union workers donated labor and materials to restore power.⁶

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 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

⁶ OII at 7.

- 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

Multiple Commission programs and policies are relevant to this proceeding. Background on these programs and policies is provided below.

3.1. Mobilehome Park Utility Conversion Program

Public Utilities Code §§ 2791-2799 mandates (1) that all MHPs constructed after January 1, 1997 provide direct metered gas and/or electric service to each manufactured home lot, (2) that MHP owners may transfer existing master-meter systems to utility ownership, and (3) that the costs of the transfer process may

not be passed on to MHP residents. The conversion of existing master metered MHPs is voluntary. Between 1997 and 2010, very few MHPs converted to direct utility service. In response to this slow conversion rate, the Western Manufactured Housing Community Association (WMA) filed a petition for rulemaking on August 20, 2010. In response, the CPUC opened a proceeding (R.11-02-018) on February 24, 2011 to explore how to increase MHP conversions and ensure safety and reliability of utility service at MHPs.

Decision (D.) 14-03-021 established a three-year pilot program referred to as the Mobile Home Park Utility Upgrade Program (MHP Pilot). This program focused on specifically converting master-metered natural gas and electric service in MHPs to direct service from the customers' local utility-. The purpose of the MHP Pilot was to encourage owners of MHPs to upgrade aging gas and electric distribution systems in an effort to enhance both public safety and service reliability for MHP residents. 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 permanent Mobilehome Park Utility Conversion Program (MHP-UCP), modeled after the MHP Pilot, with some modifications. The MHP-UCP is designed to continue converting MHP utility infrastructure until the end of 2030, with the goal of converting a cumulative total of 50 percent of eligible spaces across PG&E, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas territories. This existing policy framework, however, provides eligibility solely for submetered homes and communities that are in MHPs. This means that only a portion of the subdivision – the Santa Nella MHP, comprising 47 of the affected 280 lots – falls into

Category 1 (Highest Priority) for conversion to direct metered service in the MHP-UCP. The remaining 233 lots outside of the MHP are not eligible for conversion under the MHP-UCP, even though they receive the same master-metered gas service from SNME. While the ownership structure has changed, the physical layout and gas and electric infrastructure remain unchanged from when the subdivision was entirely a MHP.

The original intent of the decision establishing the MHP-UCP was to convert submetered MHPs to direct utility service in order to ensure safe and reliable energy services. However, as a result of the unique ownership arrangements of lots in the Santa Nella subdivision that is the focus of this investigation, most of the community no longer qualifies for a program that would otherwise have provided a direct solution.

3.2. San Joaquin Valley Disadvantaged Communities Program

Another guiding policy framework is the San Joaquin Valley Disadvantaged Communities statutory guidance and pilot program. D.18-08-019 in R.15-03-010 provides a concise overview of the statute guiding that program:

On September 26, 2014, Governor Edmund G. Brown, Jr. signed Assembly Bill (AB) 2672 into law and amended the California Public Utilities Code to include Section 783.5, which seeks to increase affordable access to energy for disadvantaged communities (DACs) in the San Joaquin Valley and to improve the health, safety and air quality of these communities. The statute is particularly focused on assisting low-income households in disadvantaged communities that lack natural gas service and must rely on electricity, propane or wood burning to fulfill their space heating, water heating, and cooking needs. Section 783.5 defines a San Joaquin Valley disadvantaged community as meeting the following criteria: 1) At least 25 percent of the residential households with electrical service are enrolled in the California Alternate Rates for Energy (CARE) program pursuant to Section 739.1; 2) Has a population greater than

100 persons within its geographic boundaries as identified by the most recent survey; 3) Has geographic boundaries no further than seven miles from the nearest natural gas pipeline operated by a gas corporation; and 4) “San Joaquin Valley” means the counties of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare. Section 783.5 directs the California Public Utilities Commission (Commission) to:

- Identify disadvantaged communities in the San Joaquin Valley meeting specific income, geographic, and population requirements; and
- Open a proceeding to evaluate the economic feasibility of extending natural gas pipelines, increasing subsidies, and other options intended to improve access to affordable energy for the identified communities.⁷

There are 179 communities on the list adopted by the Commission⁸ as qualifying DACs under this statute. Subsequently, D.18-12-015 approved eleven pilots (SJV Pilots) to be implemented in eleven of those eligible communities; pilot details varied but a mix of electrification options and natural gas extensions were included. The purpose of the pilot program was not only to provide community benefits and access to affordable energy for participants, but also to achieve learnings about the transition to cleaner affordable energy that could be applied to the other communities on the list in the future. Stated objectives of the pilots included “provide participating households with a variety of electrification options and explore reasons for customer preferences”⁹ and to advance the

⁷ D.18-08-019 at 3-4.

⁸ D.17-05-014 adopted criteria for the list and adopted a list of 170 communities; D.18-08-019 added another nine communities to the list.

⁹ D.18-12-019, Appendix A, at 3.

“understanding of challenges of scaling options to all SJV DACs.”¹⁰ Santa Nella is one of the 179 eligible SJV DACs.

3.3. Statewide Building Electrification Policy

Policymakers in California have signaled a broader policy of supporting electrification and decarbonization, with an emphasis on prioritizing vulnerable and under-resourced communities.

In the past five years, the State legislature has passed several bills directing the state to advance building electrification in pursuit of the state’s climate goals. The passage of AB 3232 (Friedman, 2018) directed the California Energy Commission (CEC) to assess how to reduce greenhouse gas (GHG) emissions from residential and commercial buildings by 40% of 1990 levels by 2030.¹¹ In response, the CEC released its *California Building Decarbonization Assessment*, outlining the pathways to achieving these GHG reduction goals. The passage of Senate Bill 1477 (Stern, 2018) directed the CPUC to work with the CEC to establish two programs, funded at \$200 million in total, to further spur advancements in building electrification, the Building Initiative for Low-Emissions Development (BUILD) Program and Technology and Equipment for Clean Housing (TECH) Initiative.¹²

More recently, the passage of AB 209 (Committee on Budget, 2022) established the Equitable Building Decarbonization Program, allocating \$835 million to the CEC to launch an incentive and direct-install program aimed at retrofitting low- and moderate-income homes to increase adoption of low-carbon

¹⁰ D.18-12-019, Appendix A, at 4.

¹¹ See: https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB3232.

¹² See: https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB1477.

technologies.¹³ Notably, this program specifically targets mobilehome units (*i.e.*, manufactured housing) among the types of residential buildings to be retrofitted.

The California Air Resources Board (CARB) has similarly identified building electrification as a central strategy in its 2022 Scoping Plan, which lays out the state's plans for achieving carbon neutrality by 2045. The plan identifies the need to focus on decarbonizing existing homes, particularly "affordable and low-income household retrofits that improve habitability and reduce expenses...and pair decarbonization with other critically needed renovation efforts to ensure that buildings support human health and are climate-and weather-resistant."¹⁴ Consistent with its Scoping Plan, in September 2022, CARB approved a ban on the sale of new gas furnaces and water heaters beginning in 2030.¹⁵

On July 7, 2022, Governor Gavin Newsom issued a letter to CARB Chair Liane Randolph¹⁶ that outlined a goal of "3 million climate--ready and climate--friendly homes by 2030 and 7 million homes by 2035." In his 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.

¹³ See: https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB209.

¹⁴ See: 2022 CARB Scoping Plan, p. 231. <https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp.pdf>.

¹⁵ California Air Resources Board 2022 State Strategy for the State Implementation Plan at 102-103.

¹⁶ See: <https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf>.

3.4. Environmental and Social Justice Action Plan

On April 7, 2022, the Commission adopted Version 2.0 of its Environmental and Social Justice Action Plan (ESJ Action Plan). The plan builds upon Version 1.0 of the ESJ Action Plan, which defined “Environmental and Social Justice (ESJ) Communities,” as “predominantly communities of color or low-income; underrepresented in the policy setting or decision-making process; subject to a disproportionate impact from one or more environmental hazards; and likely to experience implementation of environmental regulations and socio-economic investments in their communities.”¹⁷ ESJ communities include DACs (defined as the census tracts in the top 25% of CalEnviroScreen 4.0, as well as those in the highest 5% of CalEnviroScreen 4.0’s Pollution Burden), all Tribal lands, low-income households, and low-income census tracts.

The ESJ Action Plan articulates nine goals that guide the Commission to ensure it centers equity in its programs and policies. The four goals that have particular relevance to this investigation are:

Goal 1: Consistently integrate equity and access considerations throughout CPUC regulatory activities.

Goal 2: Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health.

Goal 4: Increase climate resiliency in ESJ communities.

Goal 5: Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC’s decision-making process and benefit from CPUC programs.

¹⁷ CPUC Environmental and Social Justice Action Plan Version 1.0 at 9.

These goals emphasize the Commission’s commitment to directing clean energy investments to ESJ communities to ensure resiliency and support public health and underscore the necessity of community engagement to support informed choice and tangible benefits from Commission programs and policies.

The ESJ Action Plan also outlines action items for Commission program areas to ensure that tangible progress is made toward achieving the plan’s goals. As part of Goal 2, the Commission states its commitment to expand learnings from the SJV Pilot program to remaining SJV DAC communities. Specifically, the ESJ Action Plan states that the Commission shall “consider expanding [the] pilot to [the] remainder of communities or consider how to merge with other electrification efforts at the Commission” and “[d]evelop statewide strategies to barriers encountered in SJV communities.”¹⁸

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

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

	Service	Cost to PG&E Ratepayers	Timeframe to Completion
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 implementing the solutions identified. PG&E indicated that the rate impact for Option 3, the full

¹⁸ CPUC Environmental and Social Justice Action Plan Version 2.0, at 36.

electrification option with an anticipated cost of \$14.20 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 monthly bill (from \$172.84 to \$172.94) and a \$0.07 increase for CARE customers (from \$110.16 to \$110.23).¹⁹ 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.²⁰

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 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, most of the subdivision is not part of an HCD-permitted MHP, thus is ineligible under 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 mobiles homes) thus complicating any conversion effort. PG&E notes that this

¹⁹ 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.

²⁰ PG&E Response to the OII at 9.

differentiation will increase the complexity and cost 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 \$5.89 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.²¹

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 and behind-the-meter electric work. The to-the-meter upgrades would include 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 behind-the-meter work would include a newly installed pedestal (which houses the electric meter) and wiring and conduit needed to connect PG&E's electric meter to an external point of connection with the home's existing electrical system, such as the mobilehome's subpanel. The assets installed would allow for an electric load up to 200 amps (existing infrastructure generally supports 50 amps). This would differ from the current electric metering installation in the community

²¹ PG&E Response to the OII at 10.

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.

PG&E estimates that the execution of this gas and electric hybrid option would cost approximately \$11.03 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 SJV Pilot.²²

PG&E's proposal mirrors the implementation measures outlined in the SJV Pilot, in which participating households received the necessary to-the-meter and behind-the-meter upgrades needed to enable full-home electrification. This included electric service upsizing to 200 amps, in-home panel upgrades and electrical work, home alterations to accommodate new appliances, installation of new electric appliances (water heating, space heating, cooking, and clothes drying), removal of existing appliances, and any remediation work required to pass HCD code inspections related to the newly installed measures. The SJV Pilot also helped homes apply for all necessary construction permits and provided home treatments to manufactured homes- although none in mobilehome parks - throughout the San Joaquin Valley, similar to those in Santa Nella.

Under Option 3, 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 electric system upgrades that would

²² PG&E Response to the OII at 11.

enable 200-amp service and install individual meters on each lot, as proposed in Option 2. Unlike Option 2, however, PG&E would not install any new gas infrastructure.

PG&E would also 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. Additionally, PG&E would conduct the necessary in-unit wiring upgrades and repairs that are necessary 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, the Commission's Public Advisor's Office (PAO), 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 School, which is situated directly adjacent to the impacted subdivision. The community meeting was well attended, with an estimated 87 individuals 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.

The community event was the first time that residents were formally made aware of the impending change in their service options. Residents noted customer service issues with SNME, citing discrepancies between usage and gas

charges, infrequent meter readings to gauge accurate usage, and confusion over late payment fees. 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 expressed concerns about the existing electrical infrastructure, noting 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 flip their circuit breaker and 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. Others wondered why, given recent communications that encourage them to use *less* electricity (referring to Flex Alerts), they are being offered an option that would have them *increase* their electricity usage.

Some residents remarked about the condition of their homes, noting that many homes have older wiring. Residents also expressed interest in the full electrification option and the accompanying upgrades, especially new electric appliances and partial re-wiring to accommodate electrification.²³

Several residents questioned how their input would factor into the Commission’s decision on a final energy option for Santa Nella, with some expressing doubt that their opinions and concerns would be given meaningful consideration.

In summary, there was a wide range of interest and concern among the impacted community members present for all three options that have been

²³ February 21, 2023 Post Workshop Report, Attachment A at 1.

presented in the record of this proceeding, some supporting a natural gas buildout, some supporting electrification, and others expressing a desire to have some hybrid of the two.

6. Guiding Considerations and Evaluating the Specific Situation in Santa Nella

We considered a range of factors to select the approved option. The full record of this case demonstrates that we must move quickly to address an unprecedented situation and ensure that the Santa Nella subdivision served by SNME does not lose access to vital energy services. We consider factors such as policy goals, the role of the community, and cost. As detailed in later sections, we are approving an option that includes natural gas and electrical upgrades along with the provision of a household-level choice to electrify instead of receiving gas service. We detail our considerations and justification for the chosen option here.

6.1. The Unprecedented Nature and Timing Constraints of this Case

This proceeding represents a special challenge for the Commission: quickly and reasonably leverage policy and our process in a complex situation to achieve benefits for a vulnerable community. The situation prompting this proceeding and requiring our quick action is unique. To our knowledge, there has been no precedent wherein a master-metered utility customer is the incorporated gas service provider for a subdivision that is partly a registered MHP and partly individually owned parcels. Equally unprecedented is the statement of an intent to cease operations from that master-metered service provider—leaving customers’ energy access in jeopardy, and initiating a rapid and unexpected need for the Commission to step in. The OII noted some of the unusual process that preceded the initiation of the proceeding: “Upon

notification by SNME, the Commission's Energy Division facilitated numerous conversations between SNME, PG&E, Merced County, and other local entities in search of short-term and long-term solutions to serving the Santa Nella subdivision customers affected by SNME's pending termination of service. Through these efforts, SNME has agreed to continue to provide service at least 12 more months as a long-term solution is devised, approved, and implemented."²⁴ The unprecedented nature of the situation that the Commission is contending with in this investigation makes it reasonable to conclude that the solution we approve may need to be unique, as well. As PG&E states, "Because the factual record created in this proceeding is specific to the unique situation at Santa Nella, PG&E believes the CPUC's decision in this proceeding should expressly state that it should not be considered precedential for PG&E or any other utility."²⁵ The record makes this clear, and we agree.

The need for expeditious action is another factor affecting the process and outcomes here. For the three options proposed by PG&E, the estimated timeframes necessary for implementation range from 21 to 24 months. SNME has only agreed to continue service until early 2024, which is insufficient time for PG&E to implement any of the potential solutions they identified. We therefore find it reasonable and expedient to direct PG&E to take steps to ensure that SNME can continue operating until the selected option has been implemented, as described in Section 7.

²⁴ OII at 13.

²⁵ PG&E Opening Brief at 14.

6.2. Overarching Policy Considerations

Next, we turn to the other factors guiding our selection of a specific replacement option. 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 and residents' interests are protected.

6.3. Community Engagement and Choice

Timing is one important consideration here, but we also consider the option that best supports community engagement and choice.

This small community did not have any formal representation in this case; indeed, only PG&E and Cal Advocates are parties (and only PG&E filed a brief). Our rapid progression through the proceeding, necessitated by the urgency surrounding SNME's situation, has not allowed for substantial support or provision for community engagement. This contrasts with, for example, the SJV Pilot proceeding (R.15-03-010), which, over several years and multiple Commission decisions, provided for extensive community outreach and processes that allowed each community to formally weigh in on its preferences for future energy options. In this investigation, outreach efforts by the Commission's Energy Division, the Commission's PAO, and PG&E to inform community members about the proceeding did not result in any formal input or

participation from community-based organizations as parties. While the community meeting was well-attended, no members of the public provided comments in either of the Public Participation Hearings. PG&E was also not able to provide energy impact estimates specific to this community, due to its lack of access to SNME's household-level gas usage and pricing data.

In short, Santa Nella community members have had limited opportunity to learn about the options, to understand how they may be impacted by each option, and to express informed opinions about which option they prefer. As noted earlier, a wide range of opinions and preferences were stated at the community meeting and noted in PG&E's report. Given that not all residents attended the community meeting, it is possible that many households do not even know that SNME intends to stop operating, or that this proceeding exists. It is consistent with the ESJ Action Plan to support early, frequent, and meaningful engagement with DACs on matters that directly impact them. Thus, we consider an option which preserves some element of community choice to be reasonable, to the extent that that provision does not undermine our fundamental duty to ensure provision of energy services.

6.4. State of Current Gas Infrastructure and Guidance of the Mobilehome Park Utility Conversion Program

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."²⁶

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% or more of master-metered MHP spaces in its territory by 2030.

²⁶ OII at 13.

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 Rules 15 (Main Extensions) and 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 territory."²⁷ 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.

6.5. The San Joaquin Valley Pilot Program and Santa Nella's Eligibility Status

We further take into consideration appropriate actions given that Santa Nella is not only classified as a DAC in the 85th percentile under CalEnviroScreen 4.0²⁸, but is also on the Commission-adopted list of 179 SJV DACs to be considered for improved, affordable energy access options.

²⁷ PG&E Opening Brief, at 12.

²⁸ CalEnviroScreen 4.0. See: <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40>.

The purpose of the list of 179 communities and of the 11 pilots already approved guides us here. The pilots were approved to explore the economic feasibility and effectiveness of electrification and gas line extensions as potential pathways for increasing affordable energy access, and the list identifies communities who should be considered for the application of those learnings.

This decision offers the option for community members to choose between full electrification or gas service line extensions, the two options explored in the SJV Pilot. In addition to honoring residents' desire to select which option is most suitable for their household, as outlined in Section 6.3, this decision is similar to the structure of one SJV pilot project in California City, where households are offered full electrification in some areas of the community, and gas line extensions in other areas. The application to Santa Nella is not perfectly analogous; for example, the SJV Pilot focused on communities that lack gas service²⁹ and rely on propane or wood for heating and cooking. However, while Santa Nella has access to gas service, it faces imminent loss of this service. Overall, our policy guidance to extend the SJV Pilot approaches to other SJV DACs is clear both in the SJV Pilot and in the ESJ Action plan, and that is what the adopted option does.

Additionally, we identify specific standalone benefits of the option approved here. Because the context is slightly different – where residents would be choosing to forgo gas, not propane, in favor of full electrification – we can learn even more from the outcome. Whether households choose to electrify, what

²⁹ Many SJV DACs, like other DACs, have experienced systemic racism and/or inequitable underinvestment. One of the pilot communities is the historic Allensworth, CA, a town founded as a Black utopia by a formerly-enslaved Union Army veteran; the community remained unserved by natural gas and water utilities for decades.

drives those choices, and the impacts to energy use, costs, and other factors all become new and meaningful data. The data reporting from PG&E required by this decision can be directly integrated into program learnings for the SJV Pilot and the MHP-UCP to inform future electrification efforts. This is a substantial benefit to these future efforts and ratepayers overall.

6.6. Guidance in our Environmental and Social Justice Action Plan

As discussed above in Section 3.4, the ESJ Action Plan states not only that we remain committed to integrating equity throughout our work, increase investment in DACs to improve local air quality and public health, and enhance opportunities for ESJ communities to meaningfully engage in our processes; it also explicitly states our commitment to expanding SJV Pilot program learnings to other SJV DACs. Again, the ESJ Action Plan specifically states that the Commission shall “consider expanding [the] pilot to [the] remainder of communities or consider how to merge with other electrification efforts at the Commission.”³⁰ PG&E states that it shares the Commission’s preference to electrify, noting “Electrification fits squarely within Goal 2 of the Commission’s ESJ Action Plan by increasing investment in clean energy. By identifying the initial lessons learned in the SJV Pilots and proposing to implement electrification in a similar manner for the Santa Nella community, PG&E can support affordable access to energy in DACs, as required by Public Utilities Code Section 783.5.”³¹

A hybrid option that provides safe and reliable energy access along with choice and the potential for electrification is the option most in line with these

³⁰ CPUC Environmental and Social Justice Action Plan Version 2.0, at 36.

³¹ PG&E Opening Brief, at 15.

goals. In fact, this approach – which ensures energy access while supporting electrification in a way that flows directly from the informed engagement and empowered choice of the affected community – is the only one that fulfills our goals as laid out in the ESJ Action Plan.

6.7. Electrification Policy Goals

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

Furthermore, it is apparent that the existing electric infrastructure will not support broad electrification for the community now or at any point in the future. 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.^{32,33} The direction of statewide electrification policy and the guidance provided by the Commission’s ESJ Action Plan detailed previously demonstrate a strong preference in favor of special investments to support this type of transition for

³² 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.

³³ 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).

DACs, especially those in the San Joaquin Valley. Another factor specific to this case is the state of the current electric distribution system and meter banks. While there is no specific mention about whether the electric system is unsafe, residents identified many concerns, including the inconvenience of meter bank placement and confusion about who is responsible and liable for maintaining the meter banks. Furthermore, the electric distribution infrastructure is already largely at capacity and likely will not be capable of handling the loads needed for electrification; as discussed in Section 2, 17 of the 22 transformers serving the park are almost at capacity, with 13 transformers at 100% capacity.

PG&E notes a broad range of state decarbonization policy goals in its Response Comments on the OII and in its brief, and “shares the Commission’s preference to electrify this portion of the Santa Nella community in light of state policy objectives to decarbonize California’s energy infrastructure,” with concerns only related to electrification costs and establishing a new obligation to serve.³⁴ PG&E also states that its Climate Strategy Report released in June 2022 establishes its commitment to achieve a net zero energy system in 2040, and that it “recognizes the importance that building decarbonization must play in meeting these carbon goals, and the opportunity that building electrification can have in providing energy efficient, safe, and comfortable homes for the Santa Nella Community.”³⁵ The state policy objectives referenced by PG&E clearly signal the need to prioritize vulnerable communities in the push to fully electrify buildings and meet California’s climate goals. As discussed in Section 3.3, the Governor, legislature, and the Commission’s sister agencies – the

³⁴ PG&E Opening Brief at 5.

³⁵ PG&E Response Comments to the OII at 3.

CEC and CARB—have placed particular emphasis on retrofitting existing housing in low-income communities and DACs, most recently evidenced by the \$835 million commitment to equitable building decarbonization programs. Furthermore, the CEC and CARB have identified the electrification of existing buildings as a major barrier to meeting the state’s climate goals, and recommend that the CPUC (along with CARB and the CEC) “prioritize and fund decarbonization retrofits and supporting resources in low-income and disadvantaged communities.”³⁶

The Commission would be remiss in not making progress toward the state’s equitable electrification goals in Santa Nella, a community that consists of existing, low-income, dual-fuel homes. These homes will be the most difficult to decarbonize, as discussed in the CEC’s *2021 Integrated Energy Policy Report*, even as these homes offer the greatest potential for GHG emissions reductions.³⁷ The community’s impending loss of gas service and simultaneous electric system and service upgrades provide an ideal occasion for the Commission to intervene and offer full-home electrification. While the Commission feels it is not appropriate to require the electrification of all homes at this point, given the desire to respect residents’ choices, as discussed in Section 6.3, the Commission would be losing a valuable opportunity to work toward the state’s overarching building electrification goals if it did not offer that option in this unique circumstance.

Electrification efforts in Santa Nella would also provide a valuable source of data to inform future electrification efforts, such as the CEC’s Equitable

³⁶ California Energy Commission’s Final 2021 Integrated energy Policy Report, Volume 1, Building Decarbonization at 180.

³⁷ California Energy Commission 2021 Integrated Energy Policy Report, Volume 1: Building Decarbonization at 10.

Building Decarbonization Program, the CPUC's SJV Pilot, and the MHP-UCP, especially because there is minimal data on mobilehome electrification. As discussed in Section 6.5, this data includes, but is not limited to, costs for retrofitting homes to accommodate all-electric appliances, post-electrification electricity usage and costs, and barriers to electrifying older manufactured homes. These factors strongly support the adoption of Option 2 as the baseline, with the additional option for households to choose electrification.

6.8. Cost Considerations

We thoroughly considered the cost implications of each option before us. Given the unusual circumstances in this investigation, and the context-specific nature of the work being considered, there is a degree of uncertainty about what each option may cost. PG&E notes that its estimate of \$5.89 million for the lowest-cost option, Option 1, is rough and does not reflect any data specific to Santa Nella, stating, "[The cost] estimate is based on historical averages of cost per gas project from PG&E's MHP Conversion Program between the years 2019 and 2021. Estimate does not consider external market factors, such as inflation and supply chain pressures. There are unknowns which may alter the estimated schedule and costs including soil conditions, acceptable meter locations, availability of materials, and potential subsurface conflicts."³⁸ PG&E also states that "the increase in landowner points of contact will likely affect the estimated cost and schedule as it poses unique challenges and questions not seen in the MHP Conversion Program,"³⁹ in which the utility need only deal with a single owner. PG&E makes similar disclaimers for its Option 2 cost estimate of

³⁸ PG&E response to OII at 8.

³⁹ PG&E Opening Brief at 6.

\$11.03 million, which is based on gas-and-electric conversions in the MHP-UCP. The cost estimates before us are uncertain, and one source of uncertainty and delay – the need to interact with individual owners - is inherent to all. However, we find that the basic approach for estimating the costs of the proposed options is reasonable, as it is directly based on similar work. Therefore, it is reasonable to rely upon them in light of the overall circumstances before us.

Additionally, we considered the possible cost of the approved option, which is a hybrid of the proposals. It is nearly certain that the minimum cost (*i.e.*, if zero households electrify) of our approved option is that of Option 2, plus \$400,000 of household-level outreach costs that PG&E cites for its full electrification option, bringing this figure to \$11.43 million. If all households choose to electrify, the expected cost should be that of Option 3, \$14.20 million, plus \$400,000 for outreach, since none of the electrified homes would receive gas service. There is no direct estimate in the record of the number of households that might choose to electrify.

However, experiences from the SJV Pilots indicate that households may still be reluctant to fully electrify, even if this option is offered at no cost. Across all eligible electrification pilot households, only 57% of customers even filled out an application, with fewer deciding to follow-through with receiving full electrification.⁴⁰ Among non-participants, the most common reason for opting out of the SJV Pilots was fear of increasing energy costs post-installation, even after receiving personalized estimates of these costs.⁴¹ In the case of Santa Nella,

⁴⁰ Pilot Administrators for the electrification pilots report a total of 1,626 eligible households (SCE with 390, PG&E with 316, and RHA with 920). As of March 2023, a total of 931 applications were received, (SCE with 194, PG&E with 214, and RHA with 523). $931/1626 = 57\%$.

⁴¹ SJV DAC Pilot Projects Process Evaluation at 49.

it is uncertain if total energy costs will increase for households. As PG&E acknowledges, full electrification will likely increase electricity costs due to increased electricity usage from fuel switching. Whether total energy costs go up depends on variable gas prices and gas usage, which differs across households. Residents may also change their energy usage patterns after receiving new, efficient electric appliances and weatherization measures. PG&E is directed to provide household-specific estimates for changes in overall energy costs, as it did in the SJV Pilots, to inform residents' choices, using participants' pre-electrification gas costs. Nonetheless, we expect that many households will still not opt for full electrification, given the lack of familiarity with full-home electrification and uncertainty in how one's energy costs may change, even after being provided with estimates of any potential cost changes. Further, we note that a portion of the costs we approve were already going to be incurred through the authorized pathway of the MHP-UCP, when the 47 MHP lots were eventually converted.

Due to the uncertainty inherent in all the estimates, we approve cost recovery as described in Section 10. We direct the utilities to record all costs from installing to-the-meter and behind-the-meter (infrastructure up to the external point of connection to the home) measures consistent with Option 2, and for all other behind-the-meter electrification measures and work, we provide a soft cost cap of \$3.17 million for implementation and \$400,000 for outreach costs, for a total of \$3.57 million. This amount is the delta between the cost estimates for Option 2 and Option 3 (full electrification). This is a soft cap due to the noted uncertainties in takeup and costs. We also adopt several safeguards and options for PG&E to ensure efficient spending, efficient planning, and to limit delays.

We realize that the directed option is not the lowest-cost option available to us. We also acknowledge that ratepayers overall had limited formal representation in this process, though not as little as the Santa Nella community. These factors weigh on us, especially in light of broader ratepayer cost and affordability concerns. But, as we describe, many extenuating circumstances led us to conclude that the adopted option is the most reasonable for all.

6.9. Conclusion in Light of the Full Record and Inherent Uncertainties

We reiterate the unusual and unprecedented nature of this case and of our adopted solution. Every option before us poses inherent uncertainty. PG&E faces a complex task of installing new systems for 234 parcel owners.⁴² However, while neither the MHP-UCP nor the SJV Pilots provide a perfect parallel to the work needed in Santa Nella, this decision's outlined option aligns closely with these two programs and positions PG&E to successfully implement safe and reliable energy options, building off of years of experience performing nearly identical work. This decision's option is not designing an entirely novel, untested program, but rather merges several existing program approaches. As PG&E states in reference to the proposed options, "PG&E views this OII as an opportunity to leverage the expertise developed in the MHP Conversion Program and SJV DAC Pilot for the unique situation presented in this OII."⁴³

We also note as an overarching consideration that providing a choice at the household level consists of outreach and energy usage estimation work that can be done independently from engineering preparations. Our adopted option directs additional informed engagement and choice, but does not create new

⁴² 233 individually-owned lots and one MHP owner who owns 47 of the lots.

⁴³ PG&E Opening Brief at 3.

household-level touchpoints, as those interactions are already part of each option. Because of this, because the learnings from the electrification option will benefit existing Commission proceedings and future work, and considering our desire to provide a basic level of informed consent and choice to the community, we arrive at our directed option. This customer choice will help this disadvantaged community more closely approach the options available to Californians at higher income levels, who may choose fully electric residences or who might electrify their existing homes, thus advancing energy equity.

7. Selected Option: Gas and Electric Upgrades, with Options Providing for Electrification

For all the reasons discussed above, and in light of the full record, we direct PG&E to provide a solution that is a hybrid of Options 2 and 3. PG&E shall implement the gas and electrical system upgrades as proposed in Option 2, but will also offer each homeowner the option to receive full-home electrification, as proposed in Option 3. The default option will be Option 2, while households that opt for full electrification will forgo gas service line extensions to their homes.

7.1. Provide the Community with Gas and Electric Upgrades, as Proposed in Option 2

PG&E is directed to convert the SNME gas system from master-metered to direct-metered service, as it proposed in Option 2. 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 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 as needed 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 as it proposed in Option 2, as is needed to ensure safe and reliable service; this work may include 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.

7.2. Providing Each Resident the Option to Fully Electrify

PG&E shall offer each homeowner the option to receive full-home electrification measures, at no direct cost to the resident, as outlined in Option 3, after providing each resident ample information to make an informed choice, as outlined in Section 7.2.1 below. If a household chooses to receive full-home electrification measures, PG&E shall not extend a gas service line to the home unless the homeowner requests it and provides the funds to cover the line extension, pursuant to Gas Rule 16. If the owner of the MHP lot opts against full electrification while the resident homeowners opt for electrification, a gas service line will be extended, but neither a riser nor a meter will be installed.

7.2.1. Implementing Activities to Support Informed Household Choice

As proposed by PG&E, the aspects of community engagement and education necessary to inform homeowners about the electrification work shall be applied as in the SJV Pilot to efficiently leverage prior learnings and resources.

The default option shall be Option 2; in other words, if homeowners do not select electrification during the implementation process, they will receive

upgraded direct gas and electrical service as described in the prior subsection, with electrical upgrades supporting 200-amp service, up to the external point of connection. The “default” nature of the choice, as well as the information about both options, should be presented clearly to homeowners from the outset. Homeowners should be informed about any deadlines for making their selection and the process for doing so.

In coordinating with each homeowner about the options available, PG&E shall implement an efficient process of outreach that ensures every resident is aware they have two options for service and informs that choice. PG&E may engage in a two-step process. First, PG&E will directly inform every homeowner that they have a choice of two service options, provide information about electrification measures and benefits, and assess whether the homeowner has an initial interest in finding out more about electrification. Second, PG&E will provide individualized energy bill impact statements (that detail pre- and post-electrification energy costs) for households that indicate interest in electrification, and will subsequently record their choice. Thus each household interested in the electrification option will have a reasonable understanding of their current total household energy costs and their projected total energy costs if they were to fully electrify their homes. PG&E shall work with SNME to obtain gas usage information for households and, if needed, may propose supplementary approaches for calculating estimates in its Implementation Advice Letter. As in the SJV Pilots, PG&E shall also provide residents other pertinent information to inform a meaningful choice, such as about the benefits of electrification, included appliances and other remediation, timeline, and other factors. Wherever possible, PG&E should apply resources and learnings from the SJV Pilots both to avoid duplication of effort and to leverage its pilot learnings.

To ensure expediency of implementation, PG&E shall conduct whatever processes necessary (e.g., planning and engineering studies) in parallel to these outreach efforts.

7.2.2. Implementing Electrification Work

For homeowners in the non-MHP portion of the community that opt for full electrification, PG&E shall conduct the to-the-meter and behind-the-meter work necessary to fully electrify the parcel and home. PG&E shall not extend the gas service line to those homes unless the homeowner requests it and provides the funds to cover these costs, pursuant to Gas Rule 16. For the customers that elect this option, PG&E will implement as proposed in its Option 3, by providing four new efficient electric appliances: heat pump water heating, heat pump space heating and cooling, induction cooking, and clothes drying. PG&E will also conduct the necessary in-unit wiring upgrades and remediation necessary to accommodate the new electric appliances. Partial electrification (in which a customer receives gas service for some appliances, while also receiving electrification and remediation for other appliances) is not permitted. PG&E shall leverage existing resources and approaches learned from the SJV pilots, including tenant protection provisions and other best practices for efficient in-home implementation of the upgrades.

PG&E is authorized to coordinate with the owner of the MHP portion of the community to offer an electrification option to the homeowners that reside within the MHP. PG&E is authorized to install the gas main in the MHP portion of the community and upgrade the electric service, as it is doing for the individually owned parcels. The ownership structure of the MHP, in which the MHP has a single owner, and residents own their coaches but not the land, necessitates a unique approach: PG&E shall offer the electrification option to the

homeowners in the MHP, consistent with the treatment it is offering the homeowners on individually owned parcels. At the election of the owner of the MHP, PG&E is not required to bypass providing a gas service line extension to the lots that contain the homes that elect to take the full electrification option. In this circumstance, PG&E shall provide the to-the-meter gas service line extension and cap the gas service, short of providing a riser and meter. The homes in the MHP that elect to take the full electrification option will not be provided gas service. However, providing the capped gas service retains the optionality for future tenants of these lots to gain access to gas service.

If there is a circumstance where homeowners who choose electrification are grouped such that any portion of the gas distribution network that would otherwise be needed is not necessary, PG&E shall take reasonable planning measures not to build that infrastructure. PG&E shall include a plan for how it will assess and implement this option in its Implementation Tier 2 Advice Letter.

PG&E is authorized to propose any measures necessary to ensure efficient and timely progression of the overall project, including cutoff dates for homeowners' election and other cutoff dates or other measures needed.

As in the SJV Pilots and MHP-UCP, residents shall not directly bear any of the costs for these infrastructure upgrades, nor shall residents be required to pay any upfront costs for later reimbursement from PG&E. (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. The average monthly rate impact of this decision is not expected to exceed \$0.10 per month for non-CARE customers.) PG&E shall manage costs carefully and efficiently; there is no specific household-level cost cap.

As in the SJV Pilots, PG&E shall contract with a qualified, licensed contractor (or 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.

8. Ensuring Gas Service in the Interim

As discussed above, it is essential to ensure that there is no gap in gas service prior to the approved option's in-service date. 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 as our intent is to ensure that residents continue to receive gas service until the directed solution is in place.

9. Cost Recovery

In its response to the OII, PG&E requested authorization to track and record costs in a two-way balancing account, and to offset any incurred costs through securing external state or federal funds. For any expenditures, including to-the-meter behind-the-meter upgrades and electrification costs, PG&E requests regulatory asset treatment, identical to what PG&E proposed in its CSU Monterey Application.⁴⁴ In its Opening Brief in response to the Scoping Memo, PG&E also requests that the Commission's decision on cost recovery should be considered specific to Santa Nella's unique situation and should therefore not be deemed as precedential.⁴⁵

⁴⁴ PG&E Response to the OII at 14.

⁴⁵ PG&E Opening Brief at 14-15.

Because this decision mirrors elements of the existing MHP-UCP and the SJV Pilots, we find it reasonable to approve similar cost recovery measures respective to each measure installed.

As mentioned in Section 6.4, were it not for the conversion of most of this subdivision's lots to private ownership, all 280 lots would still be part of an MHP. The chosen option outlined in this decision directs PG&E to install new, direct-metered gas infrastructure to replace SNME's current master-metered system, and to install new, upsized electrical infrastructure to deliver direct-metered electricity to each home. This is work that is nearly identical to that performed in the MHP-UCP. As outlined in D.14-03-021, authorizing the MHP Pilot, and later affirmed in D.20-04-004, authorizing the MHP-UCP, all to-the-meter upgrades and behind-the-meter upgrades to the external point of connection to the home (*i.e.*, external junction box) shall receive regulatory asset treatment for cost recovery. This issue has been litigated extensively in the MHP UCP proceeding (R.18-04-018) and we therefore do not deem it necessary to re-litigate these issues here. The justification for capitalizing these costs is stated in D.14-03-021,

"Beyond the meter" construction is necessary for the entire, new distribution system to function. The Joint Parties acknowledge this. Under their proposal, conversion would cease if the MHP owner was unable to establish financial wherewithal to undertake or complete construction "beyond the meter." This raises the potential for abandonment of partially constructed, replacement infrastructure, since without both halves of a new system in place, no change is possible. The PG&E proposal, however, has the utility serve as the pass-through for "beyond the meter" construction funds as provided in its conversion agreement with the MHP owner. This pass-through role is based on ratepayers' promise to repay the utility. The ratemaking obligation, more accurately, constitutes a

regulatory asset, appropriate for recovery from ratepayers in rates over time.⁴⁶

The same decision continues later:

...all reasonable, actual construction costs, both “to the meter” and “beyond the meter,” should be capitalized... Because “to the meter” construction will result in used and useful additions to utility plant, a utility should be allowed to recover the full cost of service of each “to the meter” conversion as a rate base addition (return on investment, taxes and depreciation). Review for reasonableness would occur in the GRC where “to the meter” costs are put into rate base; thus, both the timing of each conversion cut over and the schedule for each utility’s GRC cycle would affect the timing of that review and the possibility of any disallowance of previously-recovered rates.

However, “beyond the meter” construction and its associated costs are different. As discussed in Section 4.3.1, we conclude these reasonably incurred costs should be treated as a regulatory asset and, we propose that they be amortized over ten years at the rate equivalent to the utility’s then-current authorized return on rate base. Review of these costs for reasonableness also would occur in the GRC, subject to the same timing considerations (cut over, GRC schedule).⁴⁷

For all work related to fully electrifying homes beyond the junction box, we approve cost recovery measures that mirror the SJV Pilots, treating these costs as non-capital expenses. These costs may include, but are not limited to, those related to home remediation to accommodate electrification, panel upgrades, electric wiring upgrades, appliance purchase and installation, and related permits required for this work. PG&E may seek to leverage SJV DAC funds to the extent it is available; given that funds remain and that the work

⁴⁶ D.14.-03-021 at 40.

⁴⁷ D.14-03-021 at 50.

directed here aligns closely with that in the SJV Pilots, it may be highly beneficial to use those funds, both to ensure ratepayer neutrality and to achieve their intended purpose of benefiting SJV DAC energy access goals. In its Santa Nella Balancing Accounts Advice Letter required below, PG&E shall include a status report on the availability of SJV Pilot funds. PG&E shall copy the service list of R.15-03-010 when it files this Advice Letter. If SJV Pilot funds are available at the end of the SJV Pilots, PG&E shall file a Tier 2 Advice Letter seeking authorization to use those funds towards costs incurred as a result of this decision, filed on the service list of R.15-03-010. PG&E will include an accounting entry in the two-way electric balancing account to record a credit entry for any external funding, including funds from the SJV Pilots and other existing, authorized funding sources.

We authorize PG&E to establish two new two-way balancing accounts: one gas balancing account to record all costs associated with installing a new direct-metered gas system and one electric balancing account to track all costs associated with implementing electric system upgrades, up to the external point of connection of the home. The effective date of these two two-way balancing accounts shall be concurrent with the date of this decision's adoption, to allow for PG&E to immediately commence work for installing a new gas system and any necessary electric system upgrades. PG&E shall submit a Tier 2 Santa Nella Balancing Accounts Advice Letter to request approval for these two balancing accounts.

For all remaining behind-the-meter electrification work (past the external point of connection of the home), PG&E shall record these costs in a subaccount in the electric two-way balancing account, and be subject to a soft cost cap of \$3.17 million for implementation and \$400,000 for outreach costs. This

\$3.17 million cost cap is set as the incremental cost of fully electrifying all homes (Option 3, \$14.2 million) over installing new gas and electric systems (Option 2, \$11.03 million).

PG&E is authorized to establish a memorandum account that tracks any expenditures that are over the soft cost caps for behind-the-meter electrification work (past the external point of connection of the home). PG&E shall file a Tier 3 Advice Letter to seek recovery of these additional costs.

As PG&E notes, its preference is to leverage external funds for the behind-the-meter investments but doubts there is time to secure those funds before moving forward. We agree; PG&E shall seek additional sources of funding to reduce the cost burden on ratepayers that is necessary through the two-way balancing account. PG&E shall specifically ensure that to the extent possible, eligible costs are recovered through already-authorized energy efficiency or Energy Savings Assistance (ESA) funds to ensure maximum ratepayer neutrality. Particularly relevant here are funds authorized for electrification measures in D.21-06-015. Costs may be recovered through the public purpose program surcharge.

10. Santa Nella Pilot

There is a complex framework of policy and regulatory actions that the Commission has instituted related to MHP master-metered conversions and electrification. Many of the broader questions related to these issues are being resolved in proceedings that are looking at the policy issues from a broader perspective than just the needs of one subdivision. For this reason, while the construction of distribution infrastructure is not novel, the implementation context is that of a pilot in nature, and any data that is gathered from this pilot implementation should be used to inform future efforts directed by the

Commission. The direction adopted in this decision should not be considered precedential for the consideration of other master metered systems in California.

11. Implementation

PG&E shall file two Tier 2 Advice Letters: the first shall detail an implementation and outreach plan prior to beginning work, to be filed within 90 days of the adoption of this decision; the second shall detail an evaluation plan for collecting at least 12 months of data each on pre-and-post-electrification costs and usage, to be filed within 120 days of the adoption of this decision.

PG&E shall work collaboratively with Commission staff on outreach efforts to ensure that all members of the community are made aware of the work PG&E will conduct in the community, as well as each homeowner's option to fully electrify their home. These outreach efforts may include, but are not limited to, community meetings, mailers, and in-person outreach.

As in the SJV pilots, PG&E may work with a relevant community-based organization (CBO) or multiple CBOs to conduct outreach to affected Santa Nella residents and ensure that those residents are aware of the energy options outlined in this decision. PG&E may engage CBO(s) familiar with and/or in the community to assist with program engagement and outreach. CBO activities may include in-person and phone outreach to educate residents on upcoming changes and opt in enrollment for full electrification. Customers will be provided enrollment and application information, referrals to bill discount/savings programs, and when applicable, PG&E will automatically enroll or assist customers in eligible program enrollment.

PG&E and the CBO/s should coordinate to ensure that:

- Each homeowner is aware that PG&E will be replacing both the gas and electric systems in the community, and that each homeowner can choose to fully electrify their

homes at no cost; however, fully electrifying will mean they will no longer receive gas service.

- Each customer understands the estimated total energy cost impacts of electrification compared to gas service. PG&E should discuss with each customer a customized Energy Impact Statement, using the approaches and learnings used in the SJV Pilots.
- Each customer is aware of and assisted in enrolling into applicable bill discount programs (*e.g.*, California Alternative Rates for Energy (CARE), Family Electric Rate Assistance (FERA), and Medical Baseline) and other energy programs, such as Energy Savings Assistance, Self-Generation Incentive Program, and Disadvantaged Communities – Single-Family Solar Homes Program. PG&E shall help customers enroll in CARE, FERA, and Medical Baseline programs if eligible, and shall provide referrals to other programs if a customer expresses interest.
- Questions from residents are answered in a timely manner, during the process of PG&E installing a new energy system.

11.1. Collecting Results From Implementation to Inform Electrification Efforts

Collecting bill impact and other data for fully electrified households will be useful for informing future electrification efforts, including the MHP-UCP, other SJV DAC efforts, and our efforts to navigate the challenge of ensuring an equitable transition to electrification for all Californians, especially those who are low-income and currently have natural gas service. Currently, the SJV Pilots report post-electrification bill impact data, but only for households that were previously using wood or propane, not gas. Having bill impact data for formerly gas-reliant homes will help provide better fuel substitution cost estimates for households deciding whether to electrify. This would include collecting at least 12 months of pre-electrification baseline energy cost and usage data (monthly gas

data would be self-reported, though validation with bills would be encouraged) and at least 12 months of post-electrification electric cost and use data, along with general household characteristics. The specific type of data collected can be based on those collected for program evaluation purposes in the SJV program, as available. It would also be beneficial to have data about uptake of the electrification option and PG&E feedback about customer responses gathered during the option provision after implementation is complete. Within 120 days after completion of final implementation of the gas and electric work directed by this decision, PG&E shall compile a report containing this information and serve it on the service list of this proceeding as well as R.15-03-010 and R.18-04-018.

12. Comments on Proposed Decision

The alternate proposed decision (APD) of Commissioner John Reynolds 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 April 13, 2023 by PG&E and the Public Advocates Office (Cal Advocates) and reply comments were filed on April 18, 2023 by the same two parties.

PG&E recommended adoption of the APD with modifications, stating it "provides certainty regarding the process and the option to fully electrify. The APD represents a reasonable approach without added delay because the APD provides concrete next steps whereas the PD defers consideration of a full electrification solution for homeowners until a second phase after issues of cost and feasibility."⁴⁸

⁴⁸ PG&E Opening Comments on PD and APD, at 2.

PG&E seeks acknowledgement in the APD that its time and cost estimates were not validated based on direct assessment in Santa Nella, but rather were based on historical average data from the MHP-UCP and SJV pilots. PG&E's characterization of the preliminary nature of the estimates and the inherent uncertainties is correct, but this was already extensively acknowledged in Section 6, thus no modifications were made in response to comments. PG&E requests greater detail in our direction regarding the specific gas distribution infrastructure it will build; this was clear in the dicta, but we have added the requested detail to Ordering Paragraph 1. PG&E also requests clarification that partial electrification (in which a customer receives gas service for some appliances, while also receiving electrification and remediation for other appliances) is not permitted, and that the per-household cap from the SJV pilot program does not apply to Santa Nella. These issues were not raised in this proceeding nor intended here; we clarified section 7 as requested. Also, PG&E objected to direction in the proposed decision to negotiate an underpayment compensation agreement with SNME. After consideration, we removed that direction and provided further clarification in section 8. A minor factual clarification to the requirements of the MHP-UCP was also requested and made.

PG&E requests additional time to file its implementation and outreach Advice Letter, stating that 90 days is necessary for program coordination and is also consistent with the SJV pilot program Advice Letter timelines. This is reasonable and we made that modification; we reiterate that providing additional time for this filing shall not impact or delay any other work necessary for implementation, such as beginning engineering studies or other preparations. PG&E also requests 120 days from the date of adopting this decision to submit the Tier 2 Advice Letter detailing an evaluation plan for collecting at least 12

months of data each on pre-and-post-electrification costs and usage. We find this to be reasonable, particularly because an extension to this post-implementation step does not affect the timelines of directed work, and modified this direction accordingly.

PG&E additionally seeks clarification that it will manage outreach, engagement, and enrollment and may work with CBOs to do so. PG&E comments provide clarification on the activities that this may include, such as in-person and phone outreach about planned work and electrification options. We appreciate this additional detail and modified Section 7 to reflect it, providing specific direction to coordinate with Commission staff.

Regarding cost issues, PG&E requests removal of the soft cost cap, citing cost estimate uncertainties and the need for recovery of the costs of the directed work. In its reply comments, Cal Advocates disagrees, asserting that the uncertainties in costs justify a soft cost cap to avoid unchecked spending. We agree with Cal Advocates, and made no changes to the soft cap, as the existing direction reasonably balances cost recovery certainty and review processes. However, we modified the direction for cost recovery by directing the establishment of two new two-way balancing accounts to track gas and electric related costs separately, as PG&E requested. We also modified the effective date of these two balancing accounts to be concurrent with the date of this decision's adoption, and direct PG&E to file a Tier 2 Advice Letter to request approval for the establishment of these two balancing accounts, as requested by PG&E in their opening comments. In its comments, Cal Advocates recommends adoption of the APD if it is modified to require the funding to come from authorized programs and to ensure SNME does not disconnect customers for nonpayment. Cal Advocates provides helpful details about specific programs, including ESA, with

existing, available funding for electrification measures, and recommends a second phase of the proceeding to consider and pursue fund leveraging. Regarding funding, PG&E states in its reply comments that a second phase of the proceeding is not necessary to ensure this outcome, since it already intends to leverage existing authorized funding sources to the extent possible. We concur that it is our intent for PG&E to directly pursue and leverage existing funding, and have made minor clarifications to Section 9 to reiterate this. Second, modified Section 8 to clarify our intent for the payment plan direction is to ensure continuity of gas service until the directed solution is in place.

13. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. On April 17, 2023, public comment was submitted by Leadership Counsel for Justice and Accountability, Center for Race, Poverty, & the Environment, and PODER recommending adoption of the alternate proposed decision and providing additional recommendations for implementation. The groups recommended including a Community Energy Navigator (CEN) support approach similar to the one used in the SJV Pilots to provide residents a trusted and consistent point of contact, as well as detailed additional implementation recommendations based on the pilot learnings. Many of their recommendations, such as education on energy impacts, health implications of electrification, provision of tenant protections, in-language outreach and leveraging of pilot

learnings are consistent with the proposals and the work directed by this decision.

14. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Brian Stevens is the assigned ALJ 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. The Mobilehome Park Utility Conversion Program was established to ensure sub-metered MHPs are transferred to direct utility service to ensure reliable, safe energy services.

3. 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.

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

5. 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.

6. 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.

7. 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.

8. 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.

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

10. 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.

11. 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.

12. D.14-03-021 established a three-year pilot program referred to as the Mobilehome Park Utility Upgrade Program (MHP-UCP). 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 cumulative total of 50 percent of eligible spaces across Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas territories.

14. Only a portion of the Santa Nella subdivision, the Santa Nella MHP, comprising 47 of the affected 280 lots, falls into Category 1 (Highest Priority) for conversion to direct metered service in the MHP-UCP. The remaining 233 lots outside of the MHP, however, are not eligible for conversion under the MHP-UCP, even though they receive the same master-metered gas service from SNME.

15. Public Utilities Code Section 783.5 seeks to increase affordable access to energy for disadvantaged communities (DACs) in the San Joaquin Valley (SJV) and to improve the health, safety and air quality of these communities.

16. There are 179 communities on the list adopted by the Commission as qualifying SJV DACs under Public Utilities Code Section 783.5; Santa Nella is one of those communities.

17. 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.

18. D.18-12-015 approved eleven pilots (SJV Pilots) to be implemented in eleven of those eligible communities. The purpose of the pilot program was not only to provide community benefits and access to affordable energy for participants, but also to achieve learnings about the transition to cleaner affordable energy that could be applied to the other communities on the list in the future.

19. On April 7, 2022, the Commission adopted Version 2.0 of its Environmental and Social Justice Action Plan (ESJ Action Plan).

20. The Commission's ESJ Action Plan articulates nine goals that guide the Commission to ensure it centers equity in its programs and policies. These goals emphasize the Commission's commitment to directing clean energy investments to ESJ communities to ensure resiliency and support public health, and underscore the necessity of community engagement to support informed choice and tangible benefits from Commission programs and policies.

21. As part of Goal 2, the Commission states its commitment to expand learnings from the SJV Pilot program to remaining SJV DAC communities, stating that the Commission shall "consider expanding pilot to remainder of communities or consider how to merge with other electrification efforts at the Commission" and "Develop statewide strategies to barriers encountered in SJV communities."

22. Policymakers in California have signaled a broader policy of supporting electrification and decarbonization, with an emphasis on prioritizing vulnerable and under-resourced communities.

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

24. 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 \$5.89 million and taking approximately 22 months to complete.

25. 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 \$11.03 million and taking approximately 24 months to complete.

26. 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 \$14.2 million and taking approximately up to 24 months to complete.

27. 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.

28. The workshop report filed by PG&E states that at the community workshop, members of the public 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. Customers also expressed concern about how and whether their desires and opinions would be considered by the Commission.

29. There may be solutions that are more appropriate for the customers of SNME that own individual parcels as compared to the solutions that are more appropriate for the homeowners and tenants who live in the MHP.

30. 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.

31. The set of circumstances facing the Commission in this proceeding are unusual and, in some instances, unprecedented.

32. The Commission is not bound to select an individual option as presented and may select elements of various proposals to form a solution for the subdivision that most meets the policy goals of the Commission and is the most in the public interest.

33. Solutions to the emergent energy service issues experienced by this community are based on recent precedent from the Commission's most analogous programs: the Mobilehome Park Utility Conversion Program and SJV DAC programs.

34. Policy and program goals and commitments, especially those described in the ESJ Action Plan, the SJV DAC Pilot Program, the MHP-UCP, provide direction in favor of an option that provides energy access, applies and furthers the goals of existing SJV and MHP programs, and provides a basic measure of informed community choice.

35. An option which preserves some element of community choice is reasonable, to the extent that that provision does not undermine our fundamental duty to ensure provision of energy services.

36. Cost estimates in the record are uncertain, but the basic approach for estimating the costs of the proposed options is reasonable, as it is directly based on similar work. Therefore, it is reasonable to rely upon them in light of the overall circumstances before us.

37. Providing new gas and electric infrastructure and providing the residents of the community the option receive full electrification instead aligns with multiple policy and program goals and is reasonable in this unique case. If a parcel owner elects to receive a full electrification upgrade, it is in the public interest to not provide gas service.

38. It is in the public interest to offer the residents that reside in the MHP the option to receive a full electrification upgrade for their home and, if elected, provide a partial gas service line extension that is capped underground to provide future potential tenants of the lot to receive gas service at a lower cost to the future resident.

39. 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 from the public purpose program surcharge, so that it can be guaranteed cost recovery and reduce the ratepayer burden if PG&E is able to secure additional funding.

40. It is beneficial for the Commission to explore the options involved to ensure that the impacted residents in Santa Nella do not lose utility service while the replacement to SNME's existing infrastructure is being installed.

41. Learnings from the application of the electrification option in Santa Nella may provide substantial benefits as the Commission moves forward with its goals in the SJV, MHP-UCP, and other electrification efforts.

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. A wide range of considerations, from the guidance in the San Joaquin Disadvantaged Communities pilot program, the Mobilehome Park Utility Conversion Program, the Environmental and Social Justice Action Plan, and state electrification policy, indicated that the provision of a choice to electrify is reasonable and justified.

4. The unusual and unprecedented nature of this proceeding justifies a unique solution.

5. 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.

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

7. The Commission should authorize PG&E to establish two new two-way balancing accounts, one for recording all costs for installing a new direct-metered gas system and one for all electric costs for to-the-meter and behind-the-meter work, up to the external point of connection on the home. For all remaining behind-the-meter electrification work, PG&E should record these costs in a subaccount of the electric costs balancing account, with a soft cost cap of \$3.17 million for installations and \$400,000 for outreach, for a total of \$3.57 million. PG&E should seek additional sources of funding to reduce the cost burden on ratepayers that is necessary through the two-way balancing accounts, including but not limited to authorized and remaining San Joaquin Valley Disadvantaged Communities pilot program funding as well as authorized and unspent energy efficiency and Energy Savings Assistance funds. Costs should be recovered through the public purpose program surcharge. PG&E should be authorized to file a Tier 3 Advice Letter to recover behind-the-meter electrification implementation and outreach subaccount costs above the amount of \$3.57 million.

8. 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, to ensure that residents have gas service until replacement service is operational.

9. I.22-09-011 should be closed.

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 individual lots in the portion of the Santa Nella community that is the subject of this investigation. This entails the installation of new 2" plastic gas main, 1" service to each individual mobile home space up to PG&E's new gas meter, and the connection of the new system to the existing PG&E distribution gas system outside the park (i.e., tie in). 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 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 may include 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 direct costs associated with these upgrades.

3. Pacific Gas and Electric Company (PG&E) shall offer homeowners of the individually owned parcels the option to not receive gas service and rather take a full electrification deployment for their home. If an owner of one of the individual parcels elects for the full electrification option, PG&E shall conduct behind-the-meter work necessary to fully electrify all parcels and homes. For the customers that elect this option, PG&E shall provide four new electric appliances: heat pump water heating, heat pump space heating and cooling, induction cooking, and clothes drying. PG&E shall also conduct the necessary in-unit wiring upgrades and repairs to accommodate the new electric appliances. The customers that elect this option shall not receive direct metered gas service from PG&E, and PG&E shall not build out a service line from the gas main to the home for the owners that elect this option. PG&E shall only install full-electrification measures; partial electrification, in which a customer receives gas service for some appliances, while also receiving electric appliance replacements, is not permitted.

4. Pacific Gas and Electric Company (PG&E) shall coordinate in good faith with the owner and tenants of the mobile home park (MHP) portion of the community to offer an electrification option to the homeowners that reside within the MHP. PG&E shall install the gas main in the MHP portion of the community and upgrade the electric service, as it is doing for the individually owned parcels. PG&E shall offer the electrification option to the homeowners in the MHP, consistent with the treatment it is offering the homeowners on individually owned parcels. PG&E is not required to forgo providing a gas service line extension to the MHP lots that contain the homes that elect to take

the full electrification option. In this circumstance, PG&E shall provide a gas service extension and cap the gas service, short of providing a riser and meter. The homes in the MHP that elect to take the full electrification option will not be provided gas service.

5. In coordinating with community members about the options available, gas service versus an electrification option, Pacific Gas and Electric Company (PG&E) shall conduct initial outreach to community members that provides information about the options as detailed in this decision and clearly describes electrification measures and benefits. For all community members who indicate an initial interest in learning more about electrification, PG&E shall provide individualized energy bill impact statements so that residents may have a reasonable understanding of the bill impacts of remaining on gas service compared to receiving electrification upgrades.

6. Pacific Gas and Electric Company shall commence outreach and any other necessary planning processes in parallel, to ensure expedient installation of a new energy solution for Santa Nella.

7. Pacific Gas and Electric Company shall file two Advice Letters related to implementation: the first shall detail an Implementation and Outreach Plan prior to beginning work, to be filed within 90 days of the adoption of this decision, and the second shall detail an Evaluation plan for collecting at least 12 months of data each on pre-and-post-electrification energy costs and usage, to be filed within 120 days of the adoption of this decision.

8. If there is a circumstance where homeowners who choose electrification are grouped such that any portion of the gas distribution network that would otherwise be needed is not necessary, Pacific Gas and Electric Company (PG&E) shall take reasonable planning measures not to build that infrastructure. PG&E

shall include a plan for how it will assess and implement this option efficiently in its Implementation and Outreach Plan Advice Letter.

9. In its Implementation and Outreach Plan advice letter, Pacific Gas and Electric Company (PG&E) is authorized to propose any measures necessary to ensure efficient and timely progression of the overall project, including cutoff dates for homeowners' election to electrify, or other measures it deems necessary. PG&E shall coordinate with Commission staff on implementation and outreach.

10. 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.

11. This conversion of the SNME, Inc. master metered gas system shall be considered a pilot implementation, and data collected from this pilot can be used to inform broader MHP conversion and electrification policy. The outcome determined in this decision shall not be considered immediately precedential for the design of future programs or for coordinating solutions for similarly situated communities.

12. We authorize Pacific Gas and Electric Company (PG&E) to file a Tier 2 Santa Nella Balancing Accounts Advice Letter seeking authorization to establish two two-way balancing accounts: one gas balancing account to record all costs associated with installing a new direct-metered gas system, and one electric balancing account to track all costs associated with implementing electric system upgrades, up to the external connection point of the home. In this Advice Letter, PG&E shall include a status report on the availability of San Joaquin Valley (SVJ) Pilot funds and the amount expected to be unused at once the pilot installations have concluded. PG&E shall copy the service list of Rulemaking

(R.) 15-03-010 when it files this Advice Letter. PG&E shall record all costs associated with implementing to-the-meter and behind-the-meter measures (up to the external point of connection of the home), consistent with the work outlined in Option 2. For all remaining behind-the-meter electrification work, PG&E shall also record these costs in a subaccount of the electric balancing account, and be subject to a soft cost cap of \$3.17 million for installation work and \$400,000 for outreach costs, for a total of \$3.57 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. If SJV Pilot funds are available at the end of the SJV Pilots, PG&E shall file a Tier 2 Advice Letter seeking authorization to use those funds towards costs incurred as a result of this decision, filed on the service list of R.15-03-010. PG&E will include an accounting entry in the two-way electric balancing account to record a credit entry for any external funding, including funds from the SJV Pilots and other existing, authorized funding sources. Costs may be recovered through the public purpose program surcharge. PG&E is authorized to file a Tier 3 Advice Letter to recover costs above \$3.57 million cap for behind-the-meter electrification work.

13. Pacific Gas and Electric Company (PG&E) shall work directly with SNME, Inc. (SNME) to devise a payment plan 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, as our intent is to ensure that residents continue to receive gas service until the directed solution is in place.

14. Investigation 22-09-011 is closed.

This order is effective today.

Dated April 27, 2023, at San Francisco, California.

ALICE REYNOLDS
President
GENEVIEVE SHIROMA
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
Commissioners

ATTACHMENT 1

ATTACHMENT 1

Aerial View of Santa Nella Subdivision



(Source: Google Earth)

I.22-09-011 COM/JR5/jnf

(END OF ATTACHMENT 1)