

Date of Hearing: April 25, 2011

ASSEMBLY COMMITTEE ON UTILITIES AND COMMERCE
Steven Bradford, Chair
AB 724 (Bradford) – As Introduced: February 17, 2011

SUBJECT: Electric and gas utility service: master-meter customers.

SUMMARY: This bill requires the California Public Utilities Commission (PUC) to open an appropriate proceeding to evaluate when an owner of a mobile home park should transfer gas or electric systems with unsafe or substandard conditions to the utility. Specifically, this bill:

- 1) Requires the PUC to open an investigation or other appropriate proceeding by February 1, 2012, to evaluate and report to the Legislature, by July 1, 2013, when an owner of a master-metered gas or electric service mobile home park should transfer responsibility for service to the gas or electric utility.
- 2) Requires the PUC to include in the report a classification of mobile home parks and manufactured housing communities based on the degree to which the park or community acts as the primary or permanent residence of those who use the park or community.
- 3) Repeals these provisions on January 1, 2018.

EXISTING LAW:

- 1) Requires public utilities to provide and maintain such adequate, efficient, just and reasonable service as are necessary to promote the health and safety of its patrons, and the public.
- 2) States that whenever residential light, heat, or power is furnished through a submeter system by a master-meter customer for sale to users who are tenants of a mobile home park, apartment building, or similar residential complex, the master-meter customer is responsible for maintenance and repair of its submeter facilities beyond the master-meter.
- 3) Requires the PUC to direct the gas or electric corporation furnishing service to the master-meter customer to establish uniform rates for master-meter service at a level that will provide a sufficient differential to cover the reasonable average costs to master-meter customers providing submeter service. These costs shall not exceed the average cost that the corporation would have incurred in providing comparable services directly to the users of the service.
- 4) Allows the owner of a master-metered mobile home park or manufactured housing community that provides gas or electric service to residents to transfer ownership and operational responsibility to the gas or electric corporation providing service in the area in which the park or community is located under certain conditions.
- 5) Requires that residents of mobile home parks and manufactured housing communities constructed after January 1, 1997, be individually metered and served by gas and electric distribution facilities owned, operated and maintained by the gas or electric corporation providing the service in the area where the new park or community is located.

FISCAL EFFECT: Unknown.

COMMENTS: According to the author, the purpose of this bill is to ensure residents of master-metered/submetered mobile home parks are provided with safe and reliable gas or electric service at reasonable rates while at the same time improving public safety and grid reliability.

1) Background: Over 1,500 mobile home parks owners in the state provide electricity to their tenants through a master-meter. In such cases, the park owner receives electricity from the utility at a master-meter. The electricity is then distributed to tenants through infrastructure owned by the park owner and a submeter is located at each tenant's mobile home. The tenants are then billed by the park owner for the electricity they use in the same way that a utility would if the tenant was being directly served by a utility.

Current law requires that the utility company give the park owner a discount (differential) in order to recover the costs of operating the system. The differential is set as an amount per occupied space. In 2004, the PUC resolved issues regarding the types of costs avoided by the utilities when the mobile home park owner provides the submetered service. Determining these costs is necessary to determine the discount provided by the utility to the mobile home park owner. The PUC decision (D.04-04-043) was a joint recommendation by the interested parties. In a subsequent 2004 decision, the PUC determined the discount formula, requiring that the discount be set "at the average cost that the utility would have incurred in providing comparable services to the tenant directly, which is avoided when the mobile home park is submetered".

2) Transfer requirements: For more than a decade, state policy has disfavored the continuation of master-meter/submeter systems. Public Utilities Code Section 2791(c) requires the direct-metering of electric and/or natural gas service in mobile home parks constructed after January 1, 1997. For those mobile home parks constructed prior to 1997, a transfer is a voluntary process. To be transferable, a mobile home park submeter system must meet certain criteria such as it being a safe and reliable source of electric or natural gas, it must comply with the PUC's general orders and be compatible with the utility's design and construction standards and it must be capable of serving the expected load at the mobile home park.

Upon receipt of a mobile home park owner's request to transfer the submeter system, the utility must perform an inspection of the system to determine its condition and develop an appraisal of the system's value. If the park owner accepts the utility's proposal, they can proceed with a transfer of the system. Thus, in most cases, there is disagreement among both parties about the cost to transfer the submeter system which leads to the park owner deciding to retain ownership of the system.

Responsibilities and Oversight: Mobile home park master-meter/submeter systems are private distribution systems interconnected with the larger electricity grid and with natural gas transmission facilities. Because the utilities do not own or maintain the mobile home park submeter systems, they do not have the same maintenance or safety responsibilities as for their own distribution systems. Maintenance and primary safety responsibility for the mobile home park submeter systems lies with park owners/operators.

Governmental oversight and enforcement authority at the mobile home park submeter systems is more highly structured for natural gas than for electricity. Generally, as part of its broad authority over health and safety issues that arise in the housing context, the California Department of Housing and Community Development (HCD) may perform inspections of mobile home park electric or natural gas submeter systems when it inspects the mobile home

parks where those systems exist. In some instances, HCD has delegated mobile home park inspection authority to the cities or counties where the mobile home parks are located.

Federal law charges the PUC with inspection and enforcement to ensure compliance with the federal pipeline standards by mobile home park operators. The Utility Safety and Reliability Branch, located within the Commission's Consumer Protection and Safety Division, carries out the actual inspection and initial enforcement activities and is empowered to issue citations, as necessary.

3) Issue: This bill directs the PUC to open an investigation or proceeding to evaluate when a park owner that provides master-metered gas or electric service should be required to transfer service to the utility. Essentially, park owners who are master-meter customers are acting as a public utility. Park owners are responsible for the same functions as utilities including maintaining, repairing and replacing the distribution systems. This raises two issues. First, the park owner may not necessarily have the expertise, financial ability or equipment to provide these services adequately. Lastly, the PUC's authority to regulate utility infrastructure ends at the master-meter. Consequently, the lack of regulation of privately-owned distribution systems could impose a significant threat to public safety and overall grid reliability.

4) Regulatory action: On February 24, 2011 the PUC opened a rulemaking, at the petition of Western Manufactured Housing Communities Association (WMA), to examine what the PUC can and should do to encourage the replacement by direct utility service of the master-meter/submeter systems that supply electricity, natural gas, or both to mobile home parks and manufactured housing communities located within the franchise areas of electric and/or natural gas corporations. The proceeding will also consider safety and reliability, transfer prioritization and reasonableness of cost allocation of the master-meter/submeter systems. This proceeding essentially mirrors the author's intentions for this bill. Some parties represented that this bill may unintentionally disrupt the PUC proceeding that is well underway.

5) Suggested amendments: This bill requires the PUC to include in the report a classification of mobile home parks and manufactured housing communities based on the degree to which the park or community acts as the primary or permanent residence of those who use the park or community. Since the PUC will be examining all mobile home parks and manufactured housing communities located within the service territories of the utilities, the author and this committee may wish to strike this provision in the bill.

6) Related legislation: This bill is similar to AB 1108 (Fuentes) in the 2009-10 Regular Session. This bill died in the Senate.

REGISTERED SUPPORT / OPPOSITION:

Support

California Public Utilities Commission (CPUC)

Opposition

None on file.

Analysis Prepared by: DaVina Flemings / U. & C. / (916) 319-2083