

Date of Hearing: April 3, 2024

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 3200 (Hoover) – As Introduced February 16, 2024

SUBJECT: Master-metered mobilehome parks and manufactured housing communities: transfer of water systems

SUMMARY: Mandates the California Public Utilities Commission (CPUC) require investor-owned (IOU) water utilities to own and operate select water systems in master-metered mobilehome parks or manufactured housing communities (MHPs).

Specifically, **this bill:**

- 1) Requires each class A and class B water IOU regulated by the CPUC to accept the transfer of at least 10% of master-metered spaces in the territories it serves.
- 2) Requires the CPUC to establish procedures for initiating and completing the transferring of ownership and operational responsibility between MHP owners and water IOUs, which shall include:
 - a. A written notice of intent for transferring ownership by an owner of a MHP to a water corporation.
 - b. A response by the water corporation within 90 days, which must include meeting with the owner of the MHP to discuss the procedures involved in a transfer of ownership, preliminary review of the water system, inspection of documentation provided by the owner regarding the construction and condition of the water system, preliminary estimate of potential work needed to bring the water system up to standard, and determination of approval.
 - c. An engineering plan by the water corporation within 90 days of an agreement to accept transfer of ownership.
- 3) Requires the CPUC to adopt a standard form contract between MHP owners and water corporations for the transfers of ownership.
- 4) Deems water corporations responsible for all construction and equipment replacement work. Authorizes water corporations to recover in its revenue requirement and rates all costs to acquire, improve, upgrade, operate, and maintain the water system of an MHP.
- 5) Prohibits costs related to the transfer of ownership procedures to be passed through to the residents of the MHP in the case of a denial by the water corporation to accept ownership.
- 6) Allows the owner of the MHP to, by written notice, stop the transfer process at any time.
- 7) Requires water corporations to retain all information gathered during the transfer process for a period of five years. Requires water corporations to offer the information, before their disposal, to the MHP owner.

EXISTING LAW: Exempts from the jurisdiction, control, or regulation of the CPUC any person or corporation that maintains a MHP and provides a water service to users through a submeter service system if each user of the submeter service system is charged at the rate which would be applicable if the user were receiving the water directly from the water corporation. (Public Utilities Code § 2705.5)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Committee on Appropriations for its review.

BACKGROUND:

Water systems in mobilehome parks – Nearly 90% of MHPs in California for which the state Department of Housing and Community Development (HCD) has construction data were built before 1980, with some dating even as far back as the 1940s. But parks aren't built for permanence. The LA Times reported finding, at some MHPs, live electrical wires dangling near homes, the smell of human waste wafting through the communities, and backed-up septic tank water gathering in pools on the ground.¹ A 2020 state audit found that between 2010 and 2019 the HCD has not been adequately conducting park inspections it is either statutorily required to do or in response to complaints, and has not sufficiently evaluated the enforcement of health and safety standards in parks by local enforcement agencies to which it has delegated this responsibility.² While the status of water systems in MHPs is unclear, evaluations of electric and gas systems in MHPs during proceedings at the CPUC provide a window into what to expect; an OIR issued in 2011 noted:

Given the statutory prohibition on new MHP submeter systems beginning in 1997, we know that the majority of existing systems are at least 14 years old. According to various parties to this petition docket, most MHP submeter systems were built a decade or more before that and now are 30 to 40 years old, with perhaps a few as much as 70 years old. [Western Manufactured Housing Communities Association] states that many MHP submeter systems have been fully depreciated, are reaching the end of useful life, and consequently may have little salvage value. (OIR 11-02-018 at 10-11.)³

Water service – Water service within MHPs can be organized in several different ways. Some MHPs own a water source – in many cases, a well – and provide water to their residents as the owner of the actual water supply. Other MHPs provide water service to park residents by acting as a master-meter customer and buying the water from a water purveyor, passing the water on to the residents through a submeter, and then sending a bill to each resident. A subset of these water corporations from which MHP owners purchase water from are subject to the jurisdiction of the CPUC.

COMMENTS:

- 1) *Author's statement.* According to the author, “AB 3200 will encourage water conservation by allowing mobilehome parks in areas served by a water company regulated by the CPUC to transfer ownership to the water company. This will remove

¹ LA Times; “Problems fester at some trailer parks”; February 2001.

² Auditor of the State of California; *Mobile Home Park Inspections*; July 2020.

³ R.11-02-018, CPUC; *Decision on Issues Concerning Voluntary Conversion of Electric and Natural Gas Master-Metered Service at Mobilehome Parks and Manufactured Housing Communities to Direct Service by Electric and/or Natural Gas Corporations*; February 2011.

mobilehome parks from the water utility business and will give mobilehome park tenants the benefit of being directly served by their utility, exactly like the state is already doing for electrical and gas systems. AB 3200 is modeled after the Mobilehome Park Utility Conversion Program designed to continue converting mobilehome parks' and manufactured housing communities' utility infrastructure for gas and electricity systems.”

- 2) *Examples in electric and gas service.* In 2015, the CPUC began the Mobilehome Utility Conversion Program (MHP-UCP), requiring electric and gas IOUs to convert a total of 50% of the spaces in each utility territory to direct electric and/or gas utility service by 2030.⁴ In the lead-up to establishing this program, the CPUC first examined what could be done to upgrade aging gas and electric distribution systems and enhance public safety and service reliability for MHP residents.³ In 2014, the CPUC issued a decision establishing a three-year pilot program authorizing each IOU to convert 10% of master-metered gas and/or electric MHP spaces within its operating territory to direct utility service.⁵ The CPUC authorized IOUs to recover all costs associated with the transfer of ownership from ratepayers.

The author refers to the MHP-UCP as a model for this bill. Unlike electrical and/or gas IOUs which can serve millions of customers and take advantage of economies of scale, California's water IOUs serve much smaller bases of retail customers. The median number of customers Class A and B water corporations have is 30,328 – though it is important to note that all Class B corporations serve fewer than 10,000 customers.⁶ For comparison, Southern California Edison serves nearly 3.2 million residential customers, and estimated only about 105,000 total MHP customers in their territory during the R.11-02-018 rulemaking.³ Assuming that the water systems in MHPs are likely to be in disrepair as mentioned above, and if costs associated with transferring ownership were to be passed onto ratepayers as this bill authorizes, those ratepayers could see drastic increases in their water utility bills – far higher than the bill increases ratepayers in electrical and gas IOUs may have seen from the MHP-UCP program – even if MHP residents are absorbed into the base to spread the costs. Since this bill prohibits water utilities to pass on costs to MHP residents in the case of a denial by owners or water utilities to transfer ownership, current ratepayers could still see increases in their bills to reimburse utilities for the costs of preliminary reviews and inspections even when MHP residents are not absorbed into the base.

To enhance public safety and service reliability for MHP residents, the CPUC may be keen on understanding ways to upgrade aging water systems, and direct utility service could be one method of ensuring safer, more affordable, and more reliable drinking water. But with much unknown about the current status of those water systems, *the committee may wish to amend this bill to, instead of establishing a pilot program, authorize the CPUC to open a rulemaking proceeding to examine the current status of water infrastructure in MHPs and what actions could be taken – including water IOU ownership – to upgrade those systems.*

⁴ D. 20-04-004, CPUC

⁵ D. 14-03-021, CPUC

⁶ CPUC; https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/water-division/reports/wd-landing-page/water-utilities--total-connections.pdf?sc_lang=en&hash=F115B2E4BD55CFB5CFCDFB24749F6A58.

3) *Symbiosis with mobilehome park owners.* Under this bill, MHP owners will not have to pay for upgrades to the water infrastructure, even though they stand to benefit from the enhanced value an upgraded water system would afford their park. This bill also provides a measure that allows MHP owners to terminate a contract at any point during the transfer process with written notice. Without additional guardrails for water corporations and their ratepayers, this measure would presumably allow a scenario in which an MHP owner could pull out of an agreement when infrastructure upgrades near their end, significantly benefiting from an upgraded water system that they still own but that the water utility's ratepayers bore the costs to upgrade.

4) *Prior legislation.*

AB 604 (Lee) applied existing rules regarding mobilehome park management's separate billing of water service provided via submeter to mobilehome parks whose water service is subject to the jurisdiction, control, or regulation of the CPUC. Status: Chapter 807, Statutes of 2023.

AB 1061 (Lee) limited master-metered mobilehome park owners to charge residents for water based on the resident's actual volumetric water usage and a service fee that is limited to the lesser of 25% of the volumetric charge or \$4.75, subject to yearly adjustments with the Consumer Price Index. Status: Chapter 625, Statutes of 2021.

5) *Double referral.* This bill is double-referred; upon passage in this Committee, this bill will be referred to the Assembly Committee on Housing and Community Development.

REGISTERED SUPPORT / OPPOSITION:

Support

Western Manufactured Housing Communities Association

Opposition

Golden State Manufactured-Home Owners League, Inc. (GSMOL)

Opposition Unless Amended

California Water Association

Analysis Prepared by: Kathleen Chen / U. & E. / (916) 319-2083