BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service.	Rulemaking 18-07-006 (Filed July 12, 2018)

REPLY COMMENTS OF THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION IN RESPONSE TO THE ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON STAFF PROPOSAL

CALCCA
ADVANCING LOCAL ENERGY CHOICE

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I. Introduction

Pursuant to the *Administrative Law Judge's Ruling Inviting Comments on Staff Proposal,* issued August 20, 2019 ("ALJ Ruling"), the California Community Choice Association ("CalCCA") respectfully submits these reply comments. On September 10, 2019, CalCCA and numerous parties filed opening comments on the Staff Proposal, responding to four questions contained in the ALJ Ruling. CalCCA's reply comments cover two areas: (1) issues related to implementation and interpretation of proposed affordability metrics, and (2) proposed metric calculations and inputs. In summary, CalCCA addresses the following:

- <u>Piloting the use of metrics</u>: Since applying the metrics to decisions in formal proceedings may take some time, the Commission should, in the meantime, begin testing other ways to introduce the proposed metrics into its existing decision-making processes by including the metrics in public agendas at its Voting Meetings and in advice letter Resolutions.

- <u>Annual affordability assessments</u>: Assessments of affordability should help inform decision-making in real time; annual assessments are helpful but cannot fulfill this goal.

- <u>Inclusion of community choice aggregator ("CCA") bill impacts</u>: CalCCA supports including CCA rates in the calculation of metrics, but does not believe their inclusion will ultimately change the magnitude and direction of the metric values.

- <u>Interpretation of metrics</u>: The Commission should adopt rules of thumb for interpreting the metrics.

- <u>Advice letter filings</u>: Any adopted affordability framework must capture both incremental and cumulative rate impacts of informal filings such as advice letters.

- <u>CARE and FERA discounts</u>: If the Commission decides to include CARE and FERA discounts in its proxy bill calculations, it should calculate a weighted average bill based on the portion of customers enrolled in CARE/FERA versus standard rates in each Public Use Microdata Area ("PUMA").

- <u>Modifications to metric calculations and inputs</u>: CalCCA supports several additional improvements to metrics as recommended by TURN, the Public Advocates Office, and UCAN.

CalCCA addresses these topics in more detail below.

II. Discussion

A. In addition to piloting the application of the metrics in specific proceedings, the Commission should, in the near term, test its approach to incorporating the metrics into existing decision-making practices, and take steps to examine trends over time.

As stated in the Order Instituting Rulemaking, the goal of this proceeding is to be able to "guide decision-makers in assessing affordability issues."[1] CalCCA therefore supports the Public Advocates Office recommendation to "pilot" the application of metrics in specific proceedings before the Commission in general, and we believe Southern California Edison's General Rate Case Phase I ("SCE's GRC") is an appropriate venue for this pilot.[2] One downside to this approach, however, is that SCE's GRC will take time to resolve, and thus it may be several years before the metrics are fully "tested." In the meantime, CalCCA suggests piloting additional means by which the metrics get considered by Commissioners in the decision-making process.

Specifically, CalCCA recommends that the Commission include values for Affordability Ratio ("AR"), Hours at Minimum Wage ("HM"), and the Ability to Pay Index ("API"), where applicable, in the "estimated cost" sections currently included in the Commission's public agendas for Voting Meetings and in its advice letter Resolutions. (A new subsection for "affordability considerations" could even be created.)

For example, as noted in Staff's case study discussed at the August 26 workshop, the Commission in April 2019 considered PG&E's Catastrophic Event Memorandum Account application through an alternate proposed decision that authorized rate recovery of $373 million. The "estimated cost" section of the public agenda noted that, "There is a rate recovery of up to

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[1] OIR at p. 6.

[2] Opening comments of the Public Advocates Office, p. 2.

$373 million associated with this decision."[3] Values for AR, HM, and API and percentage changes associated with the cost increase could also have been be reported here. This is something that the Commission could do almost immediately on a pilot basis, as a means to help decision-makers get comfortable with discussing and interpreting the metric calculations.

B. Affordability metrics should help inform decision-making in real time.

CalCCA recognizes that numerous parties recommend evaluating affordability over annual – or longer – time periods.[4] Pacific Gas and Electric ("PG&E"), for example, recommends including the proposed metrics in the annual filing of the California Electric and Gas Utility Cost Report, and the Public Advocates Office recommends using the CPUC's Annual Report to the Governor and Legislature on Actions to Limit Utility Costs and Rates. However, the Commission was clear when it opened this proceeding that there is a need for real-time information, noting, "there are examples of cumulative rate impacts reports…however, this type of information isn't available in real-time to be considered across Commission proceedings."[5] While annual reports will help the Commission understand recent trends and diagnose whether rates are historically high, they will not help with real-time decision making. Thus, while these reports provide useful information, annual assessments alone will simply not meet the Commission's need to make frequent decisions that affect affordability of utility services.

C. The adopted affordability framework must capture costs resulting from informal filings.

[3] CPUC Public Agenda 3436, April 25, 2019. Item number 50A. Available at http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M282/K984/282984792.pdf
[4] Public Advocates at p. 22, PG&E at p. 10, UCAN at p. 6, Southwest Gas at p.4.
[5] OIR at p. 6, footnote 5.

Some parties assert that affordability assessments within individual proceedings are not necessary. For example, SDG&E states,

> "Currently, a review of rate and bill impacts are already part of every application where energy utilities request an increase to revenue requirements for the recovery of incremental costs. An annual assessment of affordability will be available to further inform these cases, obviating the need to reassess individual metrics in each regulatory proceeding."[6]

CalCCA disagrees with the notion that existing application review and annual reporting practices are sufficient for assessing affordability. First, existing processes to review the rate and bill impacts of formal utility applications do not capture incremental costs resulting from informal filings, such as advice letters. The affordability framework adopted here must be more comprehensive.

Existing review processes also do not examine the cumulative cost impacts of programs or activities proposed through advice letter filings. The Commission noted this as well when it opened this rulemaking, stating that we "currently lack a framework to comprehensively analyze the cumulative impact of rate requests and programs across proceedings and industries."[7] To this end, CalCCA strongly agrees with TURN's suggestion that utilities should be required to demonstrate, "both 1) the effect of the request on the affordability metrics and 2) the cumulative effect of the request and other pending requests for rate increases on the affordability metrics."[8]

D. Consideration of the bill impacts of CCA rates is unlikely to yield meaningful results.

[6] SDG&E and SoCalGas opening comments at p. 10.
[7] OIR at p. 6.
[8] TURN opening comments at p. 11.

PG&E and SDG&E suggest that the Commission consider bill impacts from "non-CPUC regulated utilities," such as CCAs, in its affordability considerations.[9] While CalCCA's members are not opposed to having their electric rates reflected in future affordability analyses as a general matter, CalCCA questions whether the burden of incorporating these costs into affordability calculations outweighs the perceived benefit of including them.

Inclusion of CCA customers' bills in the affordability analysis is unlikely to influence the magnitude or direction of the resulting affordability metrics in any meaningful way, for two reasons. First, CCA customers' bills – and the bills of all customers – reflect the same investor-owned utility charges for transmission and distribution. In many CCA service areas, transmission and distribution costs make up the majority of average customers' bills. Secondly, in most instances, the generation component of CCA customers' bills is lower than the generation component of IOU customers' bills. Including lower generation components in an overall bill impact analysis that is heavily influenced by delivery costs seems like an overly burdensome exercise for Commission staff to undertake, given its limited impact on the metrics themselves.

Finally, as CalCCA continues to emphasize, the most important aspect of this proceeding is the utilization of affordability metrics in Commission decisions and programs. Since Commission decisions only indirectly influence CCAs' costs, evaluating the bill impact of rates set by non-CPUC regulated entities does not go very far towards serving this goal.

E. The Commission should establish rules of thumb and a historical context for interpreting the metric values.

[9] SDG&E opening comments at p. 7-8, PG&E opening comments at p. 4.

CalCCA strongly agrees with TURN that it would be helpful for the Commission to establish ranges or rules of thumb for interpreting affordability metrics, based on existing research, to put the proposed metrics in context.[10] To implement this suggestion, CalCCA supports use of Teodoro's "10%, one day" rule of thumb – i.e., an AR_{20} value of no more than 10%, and HM value of no more than 8 hours – in this proceeding.[11] Additionally, CalCCA supports parties' suggestions to examine trends over historical periods of time.[12] As described in CalCCA's opening comments, we believe that historical context will help stakeholders interpret the metrics.

F. Proxy bills should represent weighted enrollment in CARE and FERA versus enrollment on standard rates.

Several parties stress that CARE and FERA participation should be reflected in the inputs to affordability calculations.[13] PG&E asserts that the "CARE and FERA discounts represent a significant portion of customers' bills at the 20th income percentile and should, therefore, be included in the calculation of affordability metrics to ensure accurate representation of affordability for customers."[14]

CalCCA is concerned that including only CARE and FERA-based bills in the AR calculation would inaccurately represent affordability for those who *qualify* for CARE and FERA, but who are not *enrolled* in the programs. FERA enrollment rates, in particular, are quite low across the state. PG&E estimates that its current FEA penetration rate is only 14%, for

[10] TURN opening comments at p. 11.
[11] Teodoro, Manny. "Measuring Household Affordability for Water and Sewer Utilities. Journal AWWA. January 2018, at p. 21
[12] SCE at p. 5, Public Advocates at p. 22.
[13] PG&E at p. 7, SCE at p. 6, SDG&E/SoCalGas at p. 7.
[14] PG&E opening comments at p. 7-8.

example. Proxy bills, if they reflect the CARE and FERA discount, should thus be weighted by CARE and FERA enrollment versus enrollment on standard rates, to ensure that they still reflect customers who may fall into the AR_{20} income category but who are not enrolled in the discount programs.

G. Several additional suggestions by parties could result in improvements to the proposed metrics.

CalCCA supports proposals by parties to adopt a number of additional changes to the metric calculations and/or inputs:

- As noted in opening comments, CalCCA agrees with TURN and GRID Alternatives' suggestion that the Commission should include other non-utility essential expenses, such as child care and transportation, in the calculation of AR. TURN and GRID recommend several data sources or potential organizational partnerships, including the Economic Policy Institute, University of Washington Center for Women's Welfare, the California Budget and Policy Center, and United Way of California. CalCCA recommends instead that the Commission rely on American Community Survey information on transportation and child care costs, since this dataset represents household-level information assigned at the PUMA level, and is more geographically similar to the inputs currently contemplated in the Staff Proposal. [15]

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[15] Data available from the Economic Policy Institute are reported by metropolitan statistical area or fair market rent area, while data from the United Way's Real Cost Measure and the California Budget and Policy Center's Making Ends Meet report are reported by county. See "The Economic Policy Institute's Family Budget Calculator Technical Documentation." Available at https://www.epi.org/publication/family-budget-calculator-documentation/, "The Real Cost Measure in California 2019 Methodology." Available at http://www.unitedwaysca.org/images/realcostmeasure2019/The-Real-Cost-Measure-in-California-2019-Methodology.pdf, and "Making Ends Meet: How Much Does it Cost to Support a Family in California?" Available at https://calbudgetcenter.org/wp-content/uploads/Making-Ends-Meet-12072017.pdf. CalCCA's opening comments

- CalCCA also supports the Public Advocates Office recommendation to modify the AR calculation such that only the bill of the industry being measured should be included in the numerator. CalCCA agrees with the point that "[A]n 'unaffordable' communications bill does not become more affordable because of an energy rate decrease."[16] This change would effectively implement CalCCA's suggestion to independently evaluate each utility industry, as described in our opening comments.[17]

- Finally, CalCCA agrees with UCAN's proposal to track arrearages and disconnections as an overall indicator of affordability. As stated in CalCCA's opening comments, disconnections and arrearages should be tracked in order to help quantify the definition of "substantial hardship" included in the Staff Proposal.[18]

III. Conclusion

CalCCA appreciates the opportunity to provide these comments in reply. We look forward to continuing to work with Commission staff and other parties on developing a comprehensive affordability framework.

Respectfully submitted,

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also supported relying on information from the California Budget and Policy Center, but we are revising this recommendation after additional consideration of the data's geography.

[16] Public Advocates Office opening comments at p. 8.
[17] CalCCA opening comments at p. 7.
[18] CalCCA opening comments at p. 3.

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