

**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.

R 18-07-006
(Filed July 12, 2018)

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO ON THE
ADMINISTRATIVE LAW JUDGE’S RULING INVITING COMMENTS ON STAFF
PROPOSAL**

I. INTRODUCTION

The City and County of San Francisco (“San Francisco” or “City”) respectfully submits these reply comments in response to the Administrative Law Judge’s Ruling Inviting Comments on Staff Proposal (“Ruling”). San Francisco 1) supports the use of the proposed metrics to evaluate affordability, but recommends the metrics be modified to include essential household expenses beyond housing costs; 2) believes the usage of affordability metrics can be balanced with safety needs; and 3) supports the metrics be applied to all ratesetting proceedings.

II. DISCUSSION

1. Affordability Metrics Should Consider Essential Household Costs Beyond Housing While Considering the Repercussions of Non-Affordability through Disconnection and Arrearage Data

The City supports the suggestions made by AT&T,¹ CalCCA,² GRID,³ and TURN,⁴ that the metrics ultimately adopted by the Commission should take into account household expenses

¹ AT&T Opening Comments at p. 3.

² CalCCA Opening Comments at p. 3.

³ Grid Alternatives Opening Comments at p. 3.

⁴ TURN Opening Comments at pp. 2-3.

beyond those of solely housing. San Francisco is supportive of the Staff Proposal’s inclusion of housing costs, but also supports inclusion of additional costs such as food, healthcare, and childcare since these are essential services that also consume a large portion of a customer’s monthly household budget. The Staff Proposal defines affordability as “the degree to which a household can regularly pay for essential service of each public utility type on a full and timely basis without substantial hardship.”⁵ While it is true that housing costs generally consume the largest percentage of a household’s budget, it is also a reality that many low-income households find themselves in situations where they must choose what essential services to spend their limited incomes on, at times foregoing certain needs to pay for others. San Francisco believes any situation where one essential service is foregone for another characterizes “substantial hardship.” If the metrics adopted by the Commission do not consider the essential services a household must pay for beyond solely housing, they will fail to realistically capture all substantial hardships, which is central to the Commission’s proposed definition of affordability.

Several potential sources exist to help the Commission determine how much to adjust monthly income for additional household expenses, such as the Making Ends Meet report of the California Budget & Policy Center⁶ and the Family Budget Calculator developed by the Economic Policy Institute.⁷ Additionally, San Francisco is supportive of using additional data sources such as household expenditure data from the American Community Survey⁸ and the Consumer Expenditure Survey.⁹

⁵ Staff Proposal at p. 6.

⁶ <https://calbudgetcenter.org/wp-content/uploads/Making-Ends-Meet-12072017.pdf>

⁷ <https://www.epi.org/resources/budget/>

⁸ <https://www.census.gov/acs/www/data/data-tables-and-tools/>

⁹ <https://www.bls.gov/cex/pumd.htm>

Furthermore, San Francisco supports UCAN and CalCCA’s suggestion that the affordability metrics be considered in conjunction with review of the amounts of arrearages and disconnections in the area to-be affected by any Commission decisions that would impact rates.

¹⁰ Doing so is important because it links the academic exercise of calculating affordability metrics with the most tangible indicators that customers cannot afford their utility bills: unpaid balances and actual loss of service due to lack of payment. To bolster and inform usage of the proposed affordability metrics, San Francisco recommends that Commission staff working on affordability closely coordinate with the Disconnections Rulemaking (R.18-07-005) which tracks disconnection data.

2. Safety Considerations Do Not Preclude the Consideration of Utility Affordability

Safety is of the upmost importance to San Francisco. At the same time, San Francisco supports using affordability metrics to evaluate potential Commission decisions because metrics are palpable indicators of affordability that can be standardized. Safety considerations do not need to come at the expense of utility affordability or vice versa. Additionally, it is unclear how considering affordability metrics in Commission decisions, including on safety, necessarily leads to cost-shifting from one customer group to another¹¹ if publicly available affordability metrics can incentivize utilities to prudently manage or attempt to lower costs overall. As was suggested by Southwest Gas, affordability metrics can be successfully integrated into cost-benefit analysis to prioritize “programs that provide the most customer benefit with the least cost to the utility while retaining reliability and safety of service.”¹²

¹⁰ UCAN Opening Comments, p. 4-5; CalCCA Opening Comments, pp. 3-4.

¹¹ PG&E Opening Comments, p. 10.

¹² Southwest Gas Opening Comments at p. 5.

3. The Commission Should Assess Affordability in Ratesetting Proceedings and Clearly Indicate the Parties Responsible for Calculating Affordability Metrics

San Francisco is supportive of using the proposed affordability metrics in all ratesetting proceedings. Tracking affordability within specific proceedings, especially those that are ratesetting is key to effectuating the proceeding’s stated intent to develop “methods and processes to assess impacts on affordability of individual Commission proceedings and utility rate requests.”¹³ Because the metrics have never before been used, they should, as the Public Advocates Office and CWA suggest,¹⁴ be piloted. Piloting will allow the metrics to be further refined before they are used in all ratesetting proceedings and will allow for modifications based on findings resulting from actual usage. The results of the pilots will indicate the value that each of the metrics brings and reveal any deficiencies that may necessitate modifying certain metrics or introducing new ones.

PG&E recommends that the Commission clearly delineate roles and responsibilities related to calculating, tracking, and reporting affordability metrics. San Francisco is supportive of this recommendation and agrees that the Commission is “best positioned to lead the calculation, tracking, and reporting of affordability metrics statewide.”¹⁵ Having the Commission manage the affordability metrics would allow for transparency while preventing any potential bias that could occur if calculated by the utilities requesting rate increases. It would also prevent smaller utilities from being burdened by such a task.

¹³ R.18-07-006 Assigned Commissioner’s Scoping Memo and Ruling, p. 1.

¹⁴ Public Advocates Office Opening Comments, at p. 2; CWA Opening Comments, at p. 6.

¹⁵ PG&E Opening Comments at p. 6.

III. CONCLUSION

San Francisco appreciates the opportunity to submit reply comments on the Staff Proposal and the Commission's consideration of these comments.

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Respectfully submitted,

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