

BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to
Establish A Framework and Processes
for Assessing the Affordability of
Utility Service

R.18-07-006
(Filed July 23, 2018)

**COMMENTS OF THE CENTER FOR ACCESSIBLE TECHNOLOGY ON
ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON STAFF
PROPOSAL**

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I. INTRODUCTION

Pursuant to the Administrative Law Judge’s Ruling Inviting Comments on Staff Proposal (ALJ Ruling), issued on August 20, 2019, the Center for Accessible Technology (CforAT) respectfully submits the following comments on the Staff Proposal on Essential Service and Affordability Metrics (Staff Proposal) attached to the ALJ Ruling. The ALJ Ruling invites parties to comment on the Staff Proposal itself, as well as on the questions presented in the ALJ Ruling. CforAT’s comments focus broadly on the Staff Proposal, though our comments also touch on issues covered by the questions presented.

II. DISCUSSION

A. Comments on Staff Report

CforAT generally supports the recommendations of the Staff Proposal and its contributions to developing a framework to assess affordability of customer bills. Utility service is a necessary part of modern life, and it is important that all customers can afford to access the level of service necessary to provide them with health, comfort, and safety. From the very beginning, the Staff Report notes that “[t]he framework should consider the affordability of *essential* (rather than discretionary) utility service.”¹ CforAT strongly supports the notion of tying affordability to essential service levels, a concept we have consistently advanced. CforAT believes that examining the cost of essential service is a foundational aspect in analyzing affordability.

CforAT emphasizes the need to focus concepts of affordability on that amount of utility service necessary for health, comfort, and safety. Effectively, “essential” service is a level of service below which a customer cannot reasonably reduce usage without risk of harm.

¹ Staff Proposal at p. 5.

Customers must have access to this essential quantity of utility service at an affordable rate, but this does not mean that customers should be able to consume unlimited services without incurring substantial costs.

As CforAT has previously noted, policymaking to preserve affordability should consider the appropriate level of service to provide for essential use, and should not focus on affordability for a customer's discretionary use.² This distinction is key; for example, CforAT has repeatedly taken issue in past proceedings regarding rate design for electricity in which the IOUs support changes that will necessarily lead to higher bills for low-usage customers while reducing bills for customers who use the most energy.³ Too often in these proceedings, the utilities have simultaneously argued that low-usage customers should be able to conserve even more, while high usage customers cannot meaningfully reduce usage and so should be accommodated with lower rates.⁴ A focused analysis on the level of service that is actually essential, below which a customer cannot reasonably reduce their usage, will help avoid such arguments going forward.

Within such an analytical structure, the framework put forward in the Staff Proposal appears helpful for policymakers. Going forward within such a framework, it is important to continue to focus any assessment on the affordability of that utility usage which is essential,

² Center for Accessible Technology's Post-Workshop Comments (CforAT Post-Workshop Comments), filed May 12, 2019, at p. 1.

³ *See, e.g.*, Center for Accessible Technology's Opening Brief on Phase IIB Issues, filed February 15, 2019 in Consolidated RDW Proceeding (A.17-12-011 et al.), at p. 9-10 (opposing SCE's proposed seasonal rate differential as a hurdle to ensuring that all customers have access to essential supplies of electricity at affordable rates).

⁴ CforAT has a long history of taking issue with this argument by the utilities. *See, e.g.*, Opening Brief of the Center for Accessible Technology, filed January 5, 2015 in R.12-06-013, at p. 86-88 ("Throughout this proceeding, the IOUs have been quick to argue that price signals (i.e. price increases) are needed to motivate low-income customers to reduce their consumption [...] [y]et they are silent when the same analysis is applied to non-CARE customers with extreme levels of consumption[.]"); *see also* Opening Brief of Disability Rights Advocates, filed December 20, 2010 in A.10-03-014, at p. 21-22 (Disability Rights Advocates was CforAT's predecessor in these proceedings); Reply Brief of Disability Rights Advocates, filed January 10, 2011 in R.10-03-014, at p. 19-20.

rather than addressing the affordability of all service that a customer may access. While any individual change in rates or rate design will impact the cost of both essential and non-essential service, the affordability framework should be used to evaluate and ensure that customers can afford an essential quantity of all utility service.

B. Do the proposed affordability metrics adequately assess affordability? If not, how should the metrics be changed?

As the Staff Proposal notes, the proposed framework uses Hours at Minimum Wage (HM), Affordability Ratio (AR), and Ability to Pay Index (API) in conjunction with one another. CforAT supports the use of these three affordability metrics together to evaluate the affordability of essential quantities of utility service. As CforAT has noted previously, it is useful to view these metrics in conjunction with each other because such a joint review provides a more robust evaluation of affordability.⁵ According to the Staff Proposal, the intent of the framework is to give the Commission context to evaluate affordability of rate changes, individually and over time.⁶ CforAT believes that it is important to use these tools to approach questions of affordability on multiple different axes for greater understanding, particularly in such a large state where both utility usage and cost of living vary greatly by community. Using the three metrics together, rather than individually, will help afford the Commission a more complete view of affordability issues.

The use of well-developed metrics as laid out in the Staff Proposal certainly will be useful in any proceeding that may impact the affordability of essential quantities of utility service. HM is already a commonly used metric, and it provides a very realistic and easy to understand reference point for evaluating affordability — how many hours of work at minimum

⁵ CforAT Post-Workshop Comments, at p. 23.

⁶ Staff Proposal at p. 6.

wage are required to pay essential utility bills.⁷ As the Staff Proposal notes, this metric reflects the “lived experience of ratepayers [...] who are more likely to be economically vulnerable.”⁸ AR is useful in conceptualizing affordability, as it shows utility expenses as a portion of household income.⁹ API shows household expenses as related to income geographically, which provides important context for an examination of affordability in California.¹⁰ Taken together, these metrics will provide useful information for policymakers as they consider proposals that will result in changes to utility rates and bills and will impact households across the state.

It is significant that the formulas for both HM and AR examine the affordability of customer bills for essential service of all three utility industries.¹¹ As CforAT continues to emphasize, the most important outcome of this proceeding is to ensure that customers can afford essential levels of utility service. The fact that these metrics incorporate bills for essential service rather than total customer bills is important to the goals of this proceeding.

CforAT notes that while the metrics and any adopted affordability framework are bound to be useful in individual proceedings, it is also important for the Commission to consider the cumulative impacts of its decisions on customer bills over time (looking both backwards and forwards). There is great value in looking across utilities and across proceedings when attempting to determine whether a potential change will cause customer bills, and specifically essential service quantities, to become unaffordable. As noted in the OIR, the Commission “currently lack[s] a framework to comprehensively analyze the cumulative impact of rate requests and programs across proceedings and industries.”¹² Using the metrics proposed in the

⁷ Staff Proposal at p. 21.

⁸ Staff Proposal at p. 21.

⁹ See Staff Proposal at p. 16.

¹⁰ Staff Proposal at p. 22.

¹¹ Staff Proposal at pp. 16, 21.

¹² OIR at p. 6.

Staff Proposal in conjunction with one another will provide the framework necessary for the Commission to see how relatively small impacts from one rate change combine across proceedings to cause large bill impacts. However, any framework is only as good as its utilization. Thus, it is important that the Commission give consideration as to how an adopted framework will be used both within individual proceedings and across the regulated industries.

C. Are the proposed sources of data for household-level information acceptable for constructing affordability metrics? If not, what sources would be more appropriate, and why?

CforAT does not respond to this question at this time, but we look forward to reviewing party comments and addressing them on reply.

D. What regulatory, operational, and/or resource considerations might be necessary to effectively implement affordability metrics? How should the Commission monitor and track affordability on a recurring basis, outside of specific proceedings?

CforAT believes this question raises vital issues with regard to the need to review affordability of essential services broadly. Unfortunately, it is difficult for a small intervenor such as CforAT to participate in activity before the Commission outside of specific proceedings. It may be appropriate for the Commission establish a schedule of regular affordability reviews for its regulated industries in the form of official proceedings to allow participation of key stakeholders. CforAT also looks forward to reviewing recommendations from other parties on this issue and addressing them on reply.

E. When and how should affordability metrics be utilized in Commission decisions and program implementation?

As noted in the OIR, issues of cost reasonableness and affordability are considered in most Commission proceedings, but the Commission currently does not have a framework to analyze cumulative impacts across proceedings.¹³ It is important that the Commission use a

¹³ OIR at p. 6.

newly-developed affordability framework to ensure that the cumulative impacts of rate changes across proceedings do not impact the affordability of customers' essential service. The OIR makes note of trends in Commission proceedings that may have long-term impacts on rates, such as climate change and geographical differences in demand.¹⁴ As these trends continue to cause changes in utility service and rates, the Commission will need to use the affordability metrics to evaluate the impact on customer bills and ensure that essential levels utility service remains affordable for water, energy, and telecommunications.

As CforAT has noted previously, affordability should be evaluated any time a rate increase is authorized for any utility service,¹⁵ as well as in proceedings where changes in rate design will result in some customers paying more and other customers paying less. For instance, if a rate increase or change in rate design is approved for one water district, the customers of that district should be subject to an evaluation that examines affordability of essential supplies of water for customers of that utility generally, and is not limited to comparing bills before and after the specific change at issue. This will ensure that the cumulative impacts of various rate changes approved by the Commission do not render essential service unaffordable. Thus, affordability metrics should be utilized whenever the Commission approves a change in rates or rate design, or a program that will impact customer bills.

a. How should the Commission use or interpret the resulting values from affordability metrics in proceedings?

CforAT does not respond to this question at this time, but we look forward to reviewing party comments and addressing them on reply.

¹⁴ OIR at p. 9.

¹⁵ CforAT Post-Workshop Comments at p. 26.

b. How should the Commission use affordability metrics to prioritize or design ratepayer programs?

The analysis of “essential use,” particularly in the form of the essential use study being developed for electricity, may provide information that can be used to design or prioritize programs that would help customers lower their essential use requirements; for example, if the essential use study shows that customers in low-income communities have higher levels of essential use because they generally have older appliances that are inefficient, it may be appropriate for the Commission to respond by targeting new or existing efficiency programs to these communities.

Additionally, better information based on a full affordability analysis may assist the Commission in any review of its existing affordability programs. For example, the Commission has considered whether it should restructure its existing CARE program to subsidize the energy bills of low-income customers. At this time, the subsidy takes the form of a line-item percentage discount off of a customer’s bill, without any distinction between essential and non-essential usage. With increased information and analysis about affordability of essential supplies of electricity, the Commission may consider re-evaluating this program structure. The Commission may similarly use improved information and analysis on affordability to consider changes for the California LifeLine Program, its existing program to support telecommunications affordability for low-income customers, and as part of its ongoing consideration of support programs for low-income water customers.

CforAT looks forward to reviewing the input of other parties on this question and addressing their comments on reply.

c. In which types of proceedings should the Commission assess affordability? What criteria should be used to determine if a proceeding requires an affordability assessment?

As noted above, affordability of essential services should be a component of every proceeding that addresses utility rates or rate design, or programs that will result in impacts on customer bills. In addition, it may be useful for the Commission to establish regular proceedings to look broadly at issues of utility affordability, since the context of a formal proceeding allows for broad participation.

CforAT also looks forward to reviewing the input of other parties on this question and addressing their comments on reply.

III. CONCLUSION

CforAT appreciates the Commission's efforts in assembling this report, which CforAT believes will be helpful in an ongoing examination of affordability across industries. We look forward to reviewing other parties' comments and continuing the discussion of affordability as this proceeding continues.

Respectfully submitted,
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