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.	Rulemaking 18-07-006 (Filed July 12, 2018)

GRID ALTERNATIVES' COMMENTS ON THE ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON STAFF PROPOSAL

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Subject Index

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I. INTRODUCTION

GRID Alternatives (GRID) hereby submits opening comments pursuant to the August 20, 2019 *Administrative Law Judge's Ruling Inviting Comments on Staff Proposal* (ALJ Ruling). GRID sincerely appreciates the Commission's effort in establishing the *Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Services* (Affordability OIR). GRID is informed by our on-the-ground direct interactions with low-income and disadvantaged community members across the state and brings forth our recommendations on how the Commission can continue helping assist our state's low-income populations by enabling equitable access to affordable utility services necessary for a full participation in society. GRID appreciates the robust analysis the Energy Division (ED), Water Division (WD), and the Communications Division (CD) staff put into developing this Staff Proposal on Essential Service and Affordability Metrics (Staff Proposal). Tracking affordability on a recurring basis will be a critical tool in regulating, designing, and delivering successful and affordable utility service and programming to ratepayers. Moreover, affordability is a critical component in California's march towards 100% carbon-free resources by 2045[1] and ensuring a just transition for all ratepayers is foundational to the state's development of a successful clean energy economy.

[1] SB-100, De León, California Renewables Portfolio Standard Program: emissions of greenhouse gases,

GRID has only responded to questions where we had a response to contribute, and have deleted questions where we had no response, or where our response is contained elsewhere in the narrative.

II. RESPONSES TO QUESTIONS

Question #1: Do the proposed affordability metrics adequately assess affordability? If not, how should the metrics be changed?

The Staff Proposal offers a good start to assess affordability, but the Affordability Ratio (AR) calculation is lacking one key component: the inclusion of non-utility essential services costs. As constructed in the Staff Proposal, even when analyzing the singular result (on a scale) of three different affordability metrics, without factoring in the essential non-utility household costs, the Commission will still have a partially obscured view of customers' total monthly bill obligations compared to their monthly income. As noted by The Utility Reform Network (TURN) in reply comments to the *Administrative Law Judge's Ruling Adding Workshop Presentations into the Record and Inviting Post-Workshop Comments,* the "inclusion of essential household needs allows the measure of affordability to be more sensitive and granular."[2] GRID agrees. This blind spot may create a situation where households fall outside of a certain affordability threshold due to the omission of the additional essential service costs in the denominator of the AR calculation. There may also be unintended consequences of this omission; perhaps most notably the potential health and safety consequences that cannot be evaluated and then addressed through programming. For example, it may be possible a ratepayer passes the AR and an affordability test but will have done so by making difficult economic tradeoffs on which bills get paid that month and which do not (i.e. not refilling a prescription to keep the lights on). In order to gain a clearer understanding of individual/family-level affordability, GRID recommends the Commission utilize the budget proxies identified in the "Affordability Definitions, Metrics, and Implementation of Affordability Framework: Background and Question for Parties" report issued in the April 12 ALJ Ruling. The United Way's Real Cost Measure[3] (RCM) and the California

[2] TURN reply comments on *Administrative Law Judge's Ruling Adding Workshop Presentations into the Record and Inviting Post-Workshop Comments,* issued 12 April 2019, p.4
[3] United Way, Struggling to Stay Afloat: The Real Cost Measure in California 2019, available at https://www.unitedwaysca.org/realcost

Budget & Policy Center's Making Ends Meet Report[4] both provide helpful total household cost burden data that helps shed more color on what affordability looks like at the household level.

Question #2. Are the proposed sources of data for household-level information acceptable for constructing affordability metrics?

GRID's agrees with the staff's recommendation to use "API values based on Area Median Income [AMI] rather than the Federal Poverty Line."[5] As identified by Commission staff, AMI thresholds set at the county level provide a more specific measure of affordability than statewide evaluation.[6] However, GRID is concerned about the potential that an affordability calculation may provide a more restrictive threshold for low-income customers to qualify for rate relief and/or program eligibility as compared to currently approved and operationalized definitions such as 80% of AMI.[7] Here, GRID points to the Ability-to-Pay Index (API) scores provided in the Staff Proposal (image below).[8]

Income Level (AMI definition)	% of Income Spent on Housing	Vulnerability Score (Global Priority Ranking)
Extremely Low (<30% of Area Median Income)	> 50%	1,001.10
	40 - 49%	970.7
	35 - 39%	951.8
	30 - 34%	931.4
	25 - 29%	901.9
	20 - 24%	881.9
	0 - 20%	862
Very Low (30 - 50% of Area Median Income)	> 50%	861.4
	40 - 49%	831.6
	35 - 39%	811.5
	30 - 34%	791.7
	25 - 29%	761.1
	20 - 24%	740
	0 - 20%	720.2
Low (50 - 80% of Area Median Income)	> 50%	720
	40 - 49%	689.4
	35 - 39%	669.7
	30 - 34%	649.4
	25 - 29%	619.2
	20 - 24%	599.6
	0 - 20%	579.6

Image 1: API Master

4 California Budget & Policy Center, Making Ends Meet: How Much Does it Cost to Support a Family in California, available at https://calbudgetcenter.org/resources/making-ends-meet-much-cost-support-family-california/

5 Staff Proposal, p.22

6 Staff Proposal, p.23

7 Single-Family Affordable Solar Homes Program eligible applicants include ratepayers with a household income that is 80% or below the AMI. For easy reference, see here: https://www.cpuc.ca.gov/general.aspx?id=3043

8 Staff Proposal, p.24.

The API Master Ranking assigns 579.6 as the lowest boundary to qualify as low-income. GRID is curious to know if there would be low-income households that meet the 80% of AMI or less threshold but are above the low-income threshold as determined by the API. Similarly, GRID looks forward to seeing how impactful API scores will be when factored in with the other two affordability metrics and looks forward to working with the Commission and stakeholders to ensure the noble goals of an Affordability framework doesn't unintentionally harm current standards of low-income program eligibility.

Question #3. What regulatory, operational, and/or resource considerations might be necessary to effectively implement affordability metrics?

As the regulator of multiple utility service providers in California, the Commission can operationalize the affordability metrics to determine:

- How rate increases affect different customer segments
- How rate increases affect the amount of energy/water/telecommunication data a customer uses
- How rate increases affect residential utility disconnections
- How to modify rates to further assist low-income residents
- How to modify rates to reduce customers' utility service burden
- How to target Commission programs to serve the most economically vulnerable customers
- How ratepayer health and safety is impacted by potential rate increases

Question #3a) How should the Commission monitor and track affordability on a recurring basis, outside of specific proceedings?

The Staff Report discussed replicating and maintaining the API measurement should the National Renewable Energy Laboratory (NREL) discontinue publishing the "Solar for All" API values. GRID agrees with this identified solution and believes maintaining in-house data will provide the most up-to-date and accurate database available to be continuously refined. Moreover, GRID agrees that an affordability database and calculator would be useful for the Commission to analyze any "long-term and systemic unaffordability or provide monitoring for areas in which utility service is approaching unaffordability."[9]

[9] Staff Report, p. 25

Question #4. When and how should affordability metrics be utilized in Commission decisions and program implementation?

The results of any affordability test should be available for consultation in Commissioner deliberations before the Commission issues a Decision on any item that has a potential financial impact on a ratepayer.

Question #4a. How should the Commission use or interpret the resulting values from affordability metrics in proceedings?

At the Affordability workshop on August 26th, 2019, staff presented an excellent and highly informative case study showing the different impacts that a rate increase has on two different customer populations (rural and urban). The case study illustrated the impact the Pacific Gas & Electric (PG&E) Catastrophic Event Memorandum Account (CEMA) had where "PG&E requested $550 million residential class revenue increase to cover costs due to catastrophic events and tree mortality/fire risk reduction, half in 2019 and half in 2020."[10] For a standard residential customer account on E-1, this rate increase results in a 4.095%[11] increase on customers' Tier 1 Baseline Rate. A 4.095% rate increase sounds relatively minimal until the CEMA is analyzed alongside the AR, where the picture of affordability becomes significantly clearer. The Staff Report found that the 20th income percentile (AR_{20}) customers living in Del Norte, Plumas, Lassen, and Siskiyou Counties (rural case) experience an AR of 34.55 compared to the urban customers living in a small geographic area of Santa Clara, San Jose, and Campbell that experienced an AR of 9.55. Read another way, the 4.095% rate increase financially impacts the rural customers about three times more than the urban customers. The ~4.1% rate increase adds $31.91 onto the annual utility bill for the urban customer and $37.12 onto the rural customers' bill because of higher energy needs during the winter months. Thus, inserting the AR provides a significantly different and needed lens when understanding how rate increases affect different customer economics.

In this case, PG&E's "application did not provide rate impacts below the residential average rate level (RAR)"[12] which now looks inadequate given the illuminating affordability data gained from analyzing the rate increase through an affordability lens. Moving forward, GRID

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[10] Affordability Staff Proposal Presentation, 26 August 2019, Slide 42

[11] *ibid*, slide 45

[12] *Ibid,* slide 43

recommends the Commission operationalize the affordability metrics (with the modifications suggested in response to Question 1) before any rate increase is requested by requiring an affordability analysis be conducted before an application is submitted to the Commission.

Question #4b. How should the Commission use affordability metrics to prioritize or design ratepayer programs?

As mentioned above, the Commission should institute a policy where a quorum of Commissioners must review and evaluate the results of any affordability test to determine if and how drastically a rate increase financially impacts a low-income ratepayer. The results of an affordability test would likely yield substantial and actionable data about which ratepayers should be prioritized and targeted for services by Commission programming.

III. CONCLUSION

GRID looks forward to working with the Commission and stakeholders to develop the most effective methods to operationalize an affordability framework that benefits California's low-income and disadvantaged ratepayers.

Respectfully submitted,

*/s/ Steve Campbell_*

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