

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Establish a  
Framework and Process for Assessing the  
Affordability of Utility Service

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

**COMMENTS OF PACIFICORP (U 901 E) ON THE STAFF PROPOSAL ON  
ESSENTIAL SERVICE AND AFFORDABILITY METRICS**

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Date: September 10, 2019

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In accordance with Rule 6.2 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, and the August 20, 2019 Ruling Inviting Comments on Staff Proposal, PacifiCorp, d/b/a Pacific Power (PacifiCorp), hereby submits its opening comments to the Staff Proposal on Essential Service and Affordability Metrics, (Staff Proposal) which set forth a proposed framework for the Commission to assess the affordability of public utility rates across utility types and services.

**I. INTRODUCTION**

On July 12, 2018, the Commission issued an Order Instituting Rulemaking (OIR) to develop a common understanding and tools to assess, consistent with Commission Jurisdiction, the impacts on affordability of individual Commission proceedings and utility rate requests. The “transparent and comprehensive framework” to be developed will encompass the use of energy, water, and telecommunication utility service.

Per the OIR, while the Commission has regularly considered issues of affordability in a variety of forums, it currently lacks a working definition of what is meant by “affordable,” as well as a framework to consistently and comprehensively analyze affordability issues across individual proceedings and utility services. The Commission cites the fact that in 2017, less than

half of the system revenue requirement for large investor owned utilities (IOUs) was collected through the general rate case (GRC) authorized revenue requirement implementing base rates.<sup>1</sup>

On August 13, 2018, PacifiCorp, Bear Valley Electric Service (a division of Golden State Water Company) and Liberty Utilities (Liberty CalPeco) filed opening comments responding to the OIR as the California Association of Small and Multi-Jurisdictional Utilities (CASMU). These comments were broadly supportive of the rulemaking and expressed interest in assessing the affordability impacts of utility rate requests. The comments also reminded stakeholders that the CASMU utilities are uniquely situated small multijurisdictional utilities (SMJUs) – with PacifiCorp serving approximately 45,000 retail customers in a large, rural service area which equates to approximately 4 customers per square mile. Thus, the CASMU utilities requested that as the proceeding continues, the Commission allow for a process that considers the factors that make each industry unique and to separate the larger, more urban utilities from the smaller, more rural utilities. Additionally, CASMU requested that any methodology adopted for the larger utilities be tailored to best serve the interests of customers of the smaller energy companies.

In advance of the public workshop to discuss Staff's Proposal on August 26, 2019 the August 20, 2019 ruling distributed the proposal and provided parties the opportunity to comment on September 10, 2019 (for opening comments) and September 20, 2019 (for reply comments).

## **II. DISCUSSION**

The August 20, 2019 ruling inviting comments on Staff's Proposal identifies four primary recommendation categories: definitions of essential service and affordability, quantifications of essential service, metrics to measure affordability of essential service, and geography and data sources for these metrics. PacifiCorp appreciates the opportunity to comment

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<sup>1</sup> Order Instituting Rulemaking at 6.

on the Staff Proposal, and commends the staffs of Water Division, Energy Division, and Communications Division for a well-reasoned and productive proposal.

### **Definitions of Essential Service and Affordability**

The Staff Proposal defines essential service as that which meets a household's basic needs and is reasonably necessary for that household's health, safety, and full participation in society. Specific to energy, this means service required for home heating and cooling, lighting, cooking, personal hygiene, medical care, and meaningful participation in society (such as operating a computer or charging a mobile device). These amounts "vary seasonally and regionally."<sup>2</sup>

Staff points out that essential service may differ from essential use. Therefore, Staff proposes defining what quantity comprises essential service through the baseline quantities that currently exist in the rate design structures used by corporations regulated by the Commission until more robust determinations of essential use can be determined through essential use studies. The baseline quantity is defined by statute as 50 to 60% of average residential consumption of energy. An all-electric residential customer baseline quantity is defined as 60 to 70% of average residential consumption during the winter heating season.

While Staff does not define "essential use," the Proposal notes that studies are currently being scoped for future completion by Pacific Gas and Electric (PG&E) and Southern California Edison (SCE), in which information will be collected on household size, building features and appliances. PG&E and interested parties have been recommended to consider which indoor temperature should benchmark a safe living environment in order to derive an essential amount of electricity consumption.

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<sup>2</sup> Staff Proposal at 5.

PacifiCorp is generally supportive of the definitions provided by Staff with regard to essential service, and PacifiCorp's baseline allowances have been calculated consistent with the bill frequency methodology adopted in Decision (D.) 83-12-065 and D.02-04-026. Further, PacifiCorp's baseline allowances have been set for basic use and all-electric customers by season and climate zone.

PacifiCorp reserves comment as to the correctness of the definition of essential use, as it is not yet defined and the studies listed have not yet been completed.

### **Quantifications of Essential Service**

PacifiCorp agrees with the quantifications of essential service, and has calculated consistent with the bill frequency methodology adopted in D.83-12-065 and D.02-04-026 which set baseline allowances at the highest percentage allowed by statute. The baseline quantities expressed as per-kilowatt-hour (kWh) usage are derived by analyzing actual customer bills across utility-defined service territories and are differentiated by season. This method of quantification is well-defined, specific to each utility's unique service territory, and imposes minimal administrative burden.

Regarding essential use studies, PacifiCorp does not have experience calculating a separate "essential" quantity beyond the current, previously-adopted methodologies for baseline allowances. PacifiCorp recommends that the Commission allow SMJUs to continue to calculate baseline allowances as they previously have until PG&E and SCE's methodologies for determining what may constitute essential usage are developed and reviewed. At that time, PacifiCorp recommends that any additional requirements for SMJUs be determined separately with due consideration of their unique circumstances. PacifiCorp also expresses concern about the proposed timeline for SMJUs to "develop essential use determinations by no later than the

essential use study submitted by SCE.” PacifiCorp requests more clarity as to when this may be completed, as the current Staff Proposal says only that the studies “have not yet been proposed as PG&E and SCE’s upcoming GRC Phase II applications have not yet been filed.”

### **Metrics to Measure Affordability of Essential Service**

Regarding the “household affordability ratio,” “essential utility expenses (hours at minimum wage),” or “economic vulnerability (ability to pay index)” measures, the company is concerned that it does not have any experience with these metrics, nor does it have the capabilities in-house to develop values for these metrics besides perhaps the “hours at minimum wage” metric.<sup>3</sup> If PacifiCorp were required to develop these studies, it would likely need to spend significant resources to hire an outside consultant to perform the studies which could raise costs for customers and exacerbate affordability and effectively undermine the goals of this rulemaking. As stated above, PacifiCorp has only 45,000 customers in California, and the administrative cost of conducting a study could have a significant impact on rates. PacifiCorp recommends that the SMJUs be given additional time to produce affordability metrics and that the calculations for any metrics be streamlined or simplified to reduce the burden that this effort could impose upon the SMJUs and their customers.

### **Geography and Data Sources for Metrics**

PacifiCorp does not currently have comment regarding the appropriateness of using the Public Use Microdata Area (PUMA) or Public Use Microdata Samples (PUMS) datasets from the Census Bureau. In general, we applaud any effort to tailor solutions to allow for differences in service territory and to serve the interests of customers of the smaller utilities.

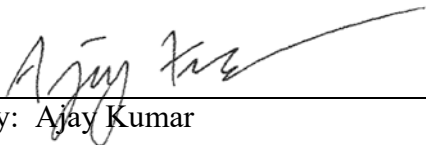
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<sup>3</sup> Staff Proposal at 16, 21, and 22.

### III. CONCLUSION

PacifiCorp appreciates the opportunity to provide opening comments on the proposed affordability framework distributed and presented by Staff. We continue to request that any processes, metrics or methodologies adopted be structured to acknowledge the differences in utility size, industry, and the nature of service territory such as those of the SMJUs. We look forward to continuing to work collaboratively with staff and stakeholders throughout this proceeding.

Respectfully submitted this September 10, 2019, at San Francisco, California.

  
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