FILED
09/10/19
04:59 PM

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

COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) ON THE ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON STAFF PROPOSAL

STEVEN W. FRANK
SHIRLEY WOO
JENNIFER C. REYES LAGUNERO

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-2248
Facsimile: (415) 973-2361
E-Mail: Jennifer.ReyesLagunero@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: September 10, 2019

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

COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) ON THE ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON STAFF PROPOSAL

I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) respectfully submits these opening comments pursuant to the "Administrative Law Judge's Ruling Inviting Comments on Staff Proposal," (Ruling) issued August 20, 2019. The Attachment to the Ruling is the "Staff Proposal on Essential Service and Affordability Metrics" (Staff Proposal) dated August 20, 2019.

The Ruling invites parties to "submit written comments on the Staff Proposal, which may address any issues relevant to the proposal, including [a series of four questions]."[1]

In brief, PG&E's comments fall into three categories:

1. The California Public Utilities Commission's (CPUC or Commission) duty to comprehensively evaluate utility requests for cost recovery, allocation of costs to customer classes, and rate design (see Section II.A below),
2. PG&E's recommendations related to issues relevant to the Staff Proposal (Section II.B), and
3. PG&E's responses to the enumerated questions in the Ruling (Section II.C).

[1] Ruling, p. 2.

II. DISCUSSION

A. Affordability is One of Many Factors That The Commission Should Consider in Comprehensively Evaluating Utility Requests For Cost Recovery, Allocation of Costs to Customer Classes, And Rate Design.

PG&E appreciates the continued efforts of the Commission to determine a working, dynamic method for assessing and defining affordability and essential service across the energy, telecommunications, and water utilities within the Commission's jurisdiction.

Delivering safe and reliable energy to customers is PG&E's most important responsibility. Our commitment is to provide affordable energy while meeting our responsibilities to safely serve our customers, even as our changing climate presents significant new challenges and risks. PG&E understands, and agrees, that the principle of affordability is important to examine and track over time. Energy costs specifically are but one of many services that are essential to an adequate quality of life. PG&E supports the push to keep track of changes to customers' energy costs so all stakeholders are conscious of affordability conditions over time.

Affordability metrics, as recommended by the Staff Proposal, should be used as a review over time of the affordability of utility rates, but should not be the determining factor for the approval of rate requests especially when safety is a factor. While affordability is an important goal – indeed, wide access to the benefits of the grid is one of the basic principles of modern rate architecture – rates must be determined in a broader context including transparency and sustainability, and with a foundation of accurate cost attribution. No affordability metric, no matter how carefully defined, should be used to inform rates to the exclusion of these other necessary principles of rate design, such as the Bonbright principles, cost-causation, and ensuring proper incentivization. Considering this, PG&E reiterates that the Commission's duty to comprehensively evaluate utility requests for cost recovery, allocation of costs to customer classes, and rate design to determine if competing proposals are just and reasonable or not still exists, regardless of the adoption of the affordability metrics and their showings over time. In other words, affordability for residential customers is certainly one factor but is not the only determining factor, and it would be insufficient if other factors affecting reasonableness are not given adequate consideration as well.

B. Issues Relevant to the Staff Proposal

1. The Staff Proposal Should Factor in all Assistance Programs Available to Customers Within Utility Service Territories For an Accurate Affordability Analysis.

The Staff Proposal should factor in all assistance programs available to customers within utility service territories for an accurate affordability analysis. The Staff Proposal does not provide an accurate view of energy bill affordability because it does not consider utility programs that are in place to help mitigate the impacts of energy bills for income qualifying customers that are primarily located within this income bracket. As further elaborated below in PG&E's response to Ruling question 1, PG&E requests that the CARE and FERA programs be included in the calculation of the affordability metrics, especially the Affordability Ratio (AR) at the 20^{th} percentile (AR_{20}).

2. The Staff Proposal Should be Revised to Include a Means to Address The Bill Impacts From Non-Utility Commodity Service Providers And Non-CPUC Regulated Utilities.

The Staff Proposal should be revised to include a means to address the bill impacts from non-utility commodity service providers because it does not factor in the portion of investor owned utilities' (IOU) load that is serviced by non-utility commodity service providers, and does an inadequate job of accounting for the portion of California residents' load that is serviced by non-CPUC regulated utilities. In the Staff Proposal, the use of the bill charged by the CPUC-regulated provider as a proxy for the monthly household energy bill disregards the growing influence of non-utility commodity service providers.

Under the Staff Proposal, the monthly household energy bill would be based upon the "bill charged by the CPUC-regulated provider that has the most customers in the Public Use Microdata Areas (PUMAs) for the quantity of the essential service."[2] While this is a reasonable simplifying assumption, the Staff Proposal dismisses the increasing number of residential customers receiving their electricity or gas commodity from non-utility commodity suppliers.

PG&E's electric customers have the option of receiving electric procurement, or commodity, services from PG&E or non-utility providers. There are two types of non-utility providers in PG&E's territory that provide electric procurement services: (1) Community Choice Aggregators (CCAs) and (2) Electric Service Providers (ESPs). As of July 31, 2019, PG&E has twelve CCAs who serve about 2.4 million residential customers and fourteen ESPs who serve about 1,700 residential customers. Customers taking commodity service from CCAs and ESPs comprise roughly 43% of PG&E's customer base.

PG&E gas customers also have a similar option to receive the natural gas commodity from PG&E or non-utility providers called Core Transport Agents (CTAs). As of July 31, 2019, PG&E has 29 CTAs who serve about 416,000 residential gas customers, representing about 10% of PG&E residential customer base.

While PG&E continues to deliver the electric and gas commodities to its residential end-use customers, these CCA, ESP, and CTA customers pay for their electric and/or gas commodities at rates set by the non-utility providers. These non-utility commodity rates are not regulated by the CPUC and may be higher or lower than the utility's authorized rate. In PUMAs where these non-utility providers have significant market penetration, the staff should consider a means to address the bill impacts from non-utility commodity service providers. Additionally, a similar problem arises in PUMAs where there are publicly-owned utility providers that the CPUC does not have jurisdiction over and may or may not have a representative customer sample of to conduct their affordability analysis. Using a CPUC-regulated utility bill as a simple

[2] Staff Proposal, p. 28.

proxy for affordability of utility service in these areas is not an adequate, nor accurate, representation of the affordability of utility service.

3. While The Metrics in The Staff Proposal Are Illustrative of The Overall Affordability For Customers, There Are Limitations in The Data Available.

Each of the metrics presented in the Staff Proposal -- AR, Hours at Minimum Wage (HM), and the Ability to Pay Index (API) -- complete a piece of the overall affordability picture when taken as a whole. HM provides a simple, concrete, and meaningful number that may not directly apply to every individual, but it gives a measure of the labor effort required to obtain an "essential amount of service."[3] The AR provides a statistical measure of the actual experienced difficulty of paying for needed utility services for a typical customer in a specific income segment. API gives a measure of the financial surroundings that can drive affordability issues and provides context for the prior two measures.

From a data perspective, API is somewhat problematic. The Public Use Microdata Sample (PUMS) dataset used for the AR calculation is probably the best dataset available, without requiring a lot of additional and specialized effort by the utilities or the Commission on top of being publicly available. HM is trivial to calculate if we have inputs for utility costs available. Data for and resulting from API, however, are much less clear. It is currently calculated by National Renewable Energy Laboratory (NREL) using data from the Rooftop Energy Potential for Low Income Communities in America (REPLICA) study. However, as mentioned in the Staff Proposal, it is unclear whether or not NREL will be continuing to publish API values moving forward.[4] Therefore, PG&E agrees with the Staff Proposal that if this metric is to be used on an ongoing basis, the data will need to be generated in-house by the CPUC as

[3] The Staff Proposal defines an "essential service as a "service that meets a household's basic needs and is reasonably necessary for that household's health, safety, and full participation in society." Staff Proposal, p. 5.
[4] Staff Proposal, p. 23.

mentioned in the Staff Proposal.[5]

Finally, these metrics are public and based on public data, therefore the process for calculating the metrics should also be public. The Staff Proposal provides a somewhat detailed description of the various metrics and how they are developed. However, for parties to be able to truly understand and replicate the metrics, detailed workpapers and/or models must be made available alongside the calculations of the affordability metrics.[6] The calculation for any of these, given the dataset, is a simple sequence of queries, filters, and statistics, and these calculations should be made public on a regular, recurrent basis in some open source format (such as CSV and Python or R).

4. The Commission Staff Should be Responsible for the Reporting of the Affordability Analysis.

PG&E agrees with the Staff Proposal's stated principle that "the [affordability] framework should be feasible for staff and the Commission to implement."[7] To this end, PG&E recommends that the Commission clearly delineate roles and responsibilities related to calculating, tracking, and reporting affordability metrics. Specifically, the Commission is best positioned to lead the calculation, tracking, and reporting of affordability metrics statewide. It is appropriate for the IOUs to provide readily-available utility data on a recurring basis to support the calculation of required metrics (e.g., average monthly bills, energy usage). PG&E finds that centralizing these functions with the Commission is appropriate because it ensures the metrics are consistent and transparent.

---

[5] *Ibid.*

[6] These detailed workpapers were only made available to parties on September 6, just 4 days before these Comments were due, and consequently PG&E has not had sufficient time to review them in detail. PG&E reserves the right to make additional observations regarding the metrics in its September 20, 2019 Reply Comments.

[7] Staff Proposal, p. 5.

5. The Commission Should Consider the Transition to Default TOU Rates in Future Assessments of the Affordability Metrics.

The Commission authorized the full roll-out of Default TOU rates for PG&E residential customers starting on October 1, 2020.[8] PG&E recommends that the Commission consider this transition in future assessments of the affordability metrics. Further metric refinement may be appropriate when the TOU transition is complete and the impacts (if any) of customer adoption can be assessed.

C. Responses to the Enumerated Questions in the Ruling.

1. Do the proposed affordability metrics adequately assess affordability? I f not, how should the metrics be changed?

The proposed affordability metrics do not adequately assess affordability, especially AR_{20}, because they do not factor in utility programs that help mitigate the impacts of energy bills for income-qualifying customers that are primarily located within the 20th percentile income bracket. The affordability metrics should be changed to include the CARE and FERA program discounts.

CARE provides a monthly discount of 20% or more on gas bills and 35% or more on electric bills for eligible customers with annual household incomes that are no greater than 200% of the federal poverty guidelines. PG&E currently has a CARE penetration rate of 95%, meaning that 95% of all CARE eligible customers are currently participating in the program. Similarly, the Family Electric Rate Assistance Program (FERA) provides a monthly discount of 18% on electricity for households of three or more people with a total household income that is between 200% plus $1 and 250% of the federal poverty guideline level. PG&E's current FERA penetration rate is 14%, with program goals to reach 50% enrollment by 2023. The CARE and FERA program discounts represent a significant portion of customers' bills at the 20th income

[8] D. 18-05-011, pp. 19-20, Ordering Paragraph (OP) 3.

percentile and should, therefore, be included in the calculation of the affordability metrics to ensure accurate representation of affordability for customers.

The illustrative metrics provided in the Staff Proposal help to demonstrate this point. The 20^{th} income percentile for PUMA 0601500 is shown as $27,010.47 (2-person household) and $29,787.25 (4-person household). The maximum gross annual income for a 2-person household to qualify for CARE is $33,820; the maximum gross annual income for 4-person household to qualify for CARE is $51,500. In this example, all the residents at the 20^{th} income percentile level would be eligible for the CARE discount. Furthermore, the CARE penetration rate for these counties is currently 66%. By not including the CARE discount in the calculation of the affordability metrics, there is an inaccurate representation of energy affordability in PUMA 0601500.

In addition to CARE and FERA, PG&E offers numerous programs available to customers that provide energy bill discounts, contribute to energy bill reductions, or provide assistance to customers in managing the payments of their utility bills to pay in full and on time. These programs include, but are not limited to, the following:

- Medical Baseline: A program that provides eligible customers an additional allotment of electricity and/or gas per month to help mitigate bills from high energy using medical devices.
- Energy Savings Assistance Program: Assists qualifying customers in reducing their energy consumption and costs by providing weatherization, energy efficient appliances, and energy education.
- Payment Plans: Customers may request an extension if additional time to pay is needed.
- Budget Billing: Averages a customer's monthly PG&E bill/payment amounts to help them stay on budget year-round. This tool helps a customer better forecast their monthly payment amount, even if their energy use changes significantly from season to season.

These programs, along with many others, are available to customers to help make energy bills more affordable and should be considered when looking at energy bill affordability.

2. 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?

The proposed sources of data for household-level information are only somewhat acceptable for constructing affordability metrics because of the (a) statistical error contained therein and (b) misalignment with utility territories. While the American Community Survey (ACS) PUMS data is a publicly available, large sample size, survey of personal and household data available from the U.S. Census Bureau, PG&E identifies two potential drawbacks with using its data. First, because the PUMS data consist of just a sample of the entire population, the data have a sampling error.[9] The US Census Bureau's website contains information for estimating those errors.[10] PG&E recommends these errors be considered as part of the affordability metric generation process, and that the Commission include standard error estimates along with the metrics so that parties will have a sense of their statistical accuracy. Second, the PUMS data for the regions which they are calculated do not appear to line up with utility service territory divisions, or, any geographical division in common use by utilities. Therefore, PG&E recommends that the Staff Proposal indicate how it will overcome the separation and difference between the PUMA boundaries and each utility's service territory and baseline territory boundaries.

[9] Sampling error is the margin of error in population estimates that are calculated from data gathered on a subsample of that population. Sampling error generally declines as the sample size increases.
[10] https://www.census.gov/programs-surveys/acs/technical-documentation/variance-tables.html.

3. **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?**

To effectively implement the affordability metrics in light of resource constraints, usefulness, and effectiveness PG&E recommends that the Commission monitor and track affordability on an annual basis outside of specific proceedings. Specifically, PG&E recommends that the Commission include the selected affordability metrics as part of the Commission's annual California Electric and Gas Utility Cost Report prepared in accordance with Assembly Bill 67. This report provides the California legislature with the costs to ratepayers of all utility programs and activities currently recovered in retail rates.[11] Capturing the affordability of these costs in this report will add value, streamline the reporting process, and is the most cost-efficient way to report the affordability metrics for stakeholders. Additionally, PG&E recommends that the Commission ensure that any implementation of the affordability metrics and their analysis take into account the frequency with which actual rate changes go into effect, rather than the frequency with which they are requested.

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

As previously stated, the affordability metrics should not be used in Commission decision and program implementation because such an approach could lead to unintended consequences, including pressure to reduce necessary safety spending, as well as shifting costs from one set of customer groups to another. Some bill pressures are outside of PG&E's control, e.g., legislative requirements and mandates, and examining affordability within each proceeding could create

[11] https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/About_Us/Organization/Divisions/Office_of_Governmental_Affairs/Legislation/2019/2018%20AB%2067%20Report.pdf

new problems. Additionally, the resource requirements that would be required upon all parties, stakeholders and utilities alike, to prepare, analyze, and respond to affordability metrics within proceedings is not feasible. Therefore, PG&E recommends that until further research and refinement is done to the preparation of the data for these metrics and the associated analysis, these metrics not be used in Commission decisions and program implementation.

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

PG&E agrees with the Staff Proposal that it is appropriate for the Commission to use or interpret the resulting values from affordability metrics outside of specific Commission proceedings "…to provide backward-looking trend analyses of actual expenses to ratepayers."[12] This approach will enable the Commission to maintain a reliable framework designed to assess affordability by analyzing how affordability metrics are changing over time. However, should the Commission begin to use the affordability metrics as part of its decision-making process, affordability for residential customers is one of many factors to for the Commission to consider, but is not the only determining factor especially when safety considerations are present. Using affordability metrics as the single factor in the Commission's decision-making process would be insufficient if other factors affecting reasonableness are not also given adequate consideration.

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

PG&E recommends that the Commission should not use affordability metrics to prioritize or design ratepayer programs because it may result in burdening utility customers with absorbing the economic cost of living conditions that exist in California but are unrelated to utility costs of service. Utilities are not able to address household expenses that are not related to utility costs of

[12] Staff Proposal, p. 25.

service; therefore, affordability metrics should be carefully implemented to ensure that utility rates do not directly or indirectly provide a subsidy for these costs. Additionally, as PG&E noted above, the current Staff Proposal's methodology for calculating affordability metrics does not account for the large number of PG&E's customers on discounted rate programs like CARE and FERA, nor does it factor in the differences between the energy rates of the IOUs and unregulated CCAs, ESPs, and CTAs.

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?

It is premature to determine which types of proceedings warrant the Commission to assess affordability because the affordability metrics have not yet been finalized. Instead, PG&E recommends that the Commission Staff notice a workshop for parties to discuss topics that include: identification of proceedings, tracking of the affordability analyses, and reporting of the affordability analyses moving forward. However, should the Commission implement affordability metrics without further collaboration with the parties, PG&E recommends that the Commission assess affordability outside of specific proceedings, and instead include the affordability assessment in the annual California Electric and Gas Utility Cost Report.

III. CONCLUSION

In conclusion, PG&E appreciates the opportunity to provide these comments. PG&E looks forward to working with the Commission and other stakeholders to finalize the manner in which the analysis of affordability and its associated metrics are implemented moving forward.

Respectfully Submitted,

JENNIFER C. REYES LAGUNERO

By: */s/ Jennifer Reyes Lagunero*
JENNIFER C. REYES LAGUNERO

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-2361
Facsimile: (415) 973-5520
E-Mail: Jennifer.ReyesLagunero@pge.com

Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: September 10, 2019