

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

**JOINT REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY
(U 902 M) AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) 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 (“Ruling”), dated August 20, 2019, San Diego Gas & Electric Company (“SDG&E”) and Southern California Gas Company (“SoCalGas”) hereby provide the following reply comments. On September 10, 2019, various parties, including SDG&E and SoCalGas, provided comments on the Staff Proposal and responses to the questions included in the Ruling. These reply comments focus on comments and responses made by parties related to energy.

II. DISCUSSION

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

The Commission Should Adopt a Portfolio of Diverse Affordability Metrics

The Staff Proposal provides for a portfolio of metrics, specifically “three metrics that provide complementary descriptions of a household’s ability to pay for essential utility services.”¹ The three metrics proposed by Staff are: (1) Affordability Ratio (“AR”), which is the percent of

¹ Staff Proposal p. 15.

income after housing that is spent on essential utility service; (2) Hours at Minimum Wage (“HM”), which describes utility essential service bills in terms of hours worked required to pay them; and (3) Ability to Pay Index (“API”), which seeks to describe economic vulnerability at the census tract level.

SDG&E and SoCalGas agree with the Public Advocates Office (“Cal PA”),² Center for Accessible Technology (“CforAT”) and The Utility Reform Network (“TURN”) that one metric alone does not offer the perspective needed to assess affordability. The Commission needs to look at a portfolio of metrics that provide different perspectives given the range of questions these metrics will be asked to address. This approach is supported by a variety of parties, including investor-owned utilities (“IOUs”) and consumer advocates. TURN applauds the Staff Proposal’s use of multiple metrics as an approach to develop a robust and actionable view of utility service affordability.³ CforAT supports “[u]sing the three metrics together, rather than individually, [because it] will help afford the Commission a more complete view of affordability issues” and notes that “HM is already a commonly used metric, and it provides a very realistic and easy to understand reference point for evaluating affordability.”⁴ For these reasons, SDG&E and SoCalGas do not agree with the Utility Consumers’ Action Network’s (“UCAN”) recommendation that HM and AR not be used, thereby limiting the proposed metrics to just a single metric, a “refined version” of API.⁵

Various parties support AR as proposed by Staff, including CforAT which notes “AR is useful in conceptualizing affordability, as it shows utility expense as a portion of household

² Staff Proposal p. 1.

³ TURN Comments p. 1.

⁴ CforAT Comments p. 3.

⁵ UCAN Comments pp. 2-4.

income.”⁶ We agree that a comprehensive metric with non-utility costs is needed to help the Commission understand the affordability of utility services and should be included in the portfolio of metrics. However, it is just as important that the portfolio include a diversity of metrics in order to provide the Commission with a more complete view. SDG&E and SoCalGas do not agree with TURN’s arguments that AR should be modified to include essential non-utility expenditures beyond just housing expenditures.⁷ The modifications proposed by TURN would make AR redundant to API, which includes income spent on housing and other large non-discretionary expenses.⁸

SDG&E and SoCalGas support Cal PA’s recommended modification to include CalEnviroScreen data in to the API metric.⁹ The inclusion of CalEnviroScreen data will result in better alignment with existing efforts associated with Disadvantaged Communities and possibly provide some level of cross-program data sharing and improved participation.

UCAN recommends adding the tracking of arrearages to API, stating “[i]f the Ability to Pay Index is used in conjunction with a review of the level of arrearages of a given utility, the Commission will have a good methodology for assessing the affordability of utility services in California.”¹⁰ This data is already provided to the Commission on a quarterly basis through the Monthly Disconnection Report¹¹ and therefore it would be redundant to add arrearages as a metric here.

⁶ CforAT Comments p. 3.

⁷ TURN Comments pp. 2-3 et seq.

⁸ Staff Proposal p. 22.

⁹ Cal PA Comments pp. 22-24.

¹⁰ UCAN Comments p. 2.

¹¹ 2014 Disconnection Settlement Agreement Decision (D.) 14-06-036 and D.18-12-013 Ordering Paragraph 6.

SDG&E and SoCalGas still contend¹² that it is also necessary to include within the portfolio of metrics an affordability metric without the influence of other costs outside of the utilities' control. The Energy Burden metric measures the cost of utility service compared to income and is the only metric that provides an accurate measurement of the change in utility service affordability over time. Only by including a metric with only a single utility cost and household income, such as the Energy Burden metric, will the Commission be able to measure a single utility's rate changes over an extended period of time. Although utility service costs are an important consideration in every household budget, placing them in the same basket as essential occupancy and shelter costs will only obscure the impact of rate changes. All non-utility costs should be similarly tracked over time to show which components of each affordability metric are having the greatest impact.

In sum, SDG&E and SoCalGas recommend that the Commission move forward with the following portfolio of metrics: (1) HM as proposed by Staff, (2) AR as proposed by Staff, (3) API modified to reflect Cal PA's proposal to incorporate CalEnviroScreen data, (4) exclude the additional tracking of arrearages as proposed by UCAN, and (5) include the Energy Burden metric, which as noted by Cal PA, is already included in Commission Annual reports.¹³

B. 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?

An Annual Assessment of Affordability is Sufficient

SDG&E and SoCalGas do not agree with parties that recommend the assessment of

¹² SDG&E and SoCalGas Comments p. 4.

¹³ Cal PA Comments p. 22.

affordability metrics with every utility request,¹⁴ or at the time metrics reach a specific threshold.¹⁵ Instead, SDG&E and SoCalGas believe that an annual assessment of Affordability is appropriate as this will provide the Commission, the utilities, and all interested parties Affordability metrics that are consistent for a meaningful and standard period of time, reduce confusion over which metric or value to use and allow for accurate comparisons to a normative amount over the course of the year. Constant recalculation of metrics by each utility and party based on the latest filing by any utility would create an environment of constant change and updating as parties try to keep up with dockets across the Commission. Further, an annual assessment of affordability metrics will provide parties with a regular predictable schedule, allow for alignment with the supplemental data needed for affordability metrics, and allow for the assessment of cumulative impacts over a consistent time period.

An annual affordability assessment is consistent with Cal PA’s recommendation to include affordability metrics in Commission Annual Reports¹⁶ and would also satisfy the recommendations of UCAN¹⁷ and TURN¹⁸ with respect to timing. Additionally, CforAT recognizes that “[I]t may be appropriate for the Commission to establish a schedule of regular affordability reviews for its regulated utilities”¹⁹

All regulated utilities will still be required to provide rate and bill impacts as part of the support requirement to justify any request to change or increase rates during the year. This will

¹⁴ TURN pp. 11-12, Cal PA pp. 4-5, CforAT p. 6.

¹⁵ UCAN Comments p. 6.

¹⁶ Cal PA Comments p. 22.

¹⁷ UCAN Comments p. 5 (“at least every 18 months”).

¹⁸ TURN Comments p. 10 (“ideally semiannual but not less than an annual basis”).

¹⁹ CforAT Comments p. 5.

provide the Commission the incremental information necessary to review and assess each request to change or increase rates. At a minimum, SDG&E and SoCalGas recommend that the Commission adopt UCAN’s recommendation that “[d]evising the specific methodology that would be best to deploy to establish affordability metrics is probably a process best left to dedicated workshops.”²⁰

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

Affordability Metrics Should be Comparative Rather Than Hard Thresholds

SDG&E and SoCalGas agree with the majority of parties that support Staff’s recommendation that an affordability framework is “to enable spatial and temporal comparisons of affordability...[and] not set forth criteria to determine in absolute terms whether bills are affordable or not.”²¹ Cal PA states “[a]s suggested in the Staff Proposal, the Commission should not set hard thresholds for affordability and unaffordability based on metrics, but rather measure them on a comparative basis, over time.”²²

TURN argues that “[t]he Commission also needs to establish ranges reflecting varying degrees of affordability... so that this value is usable by practitioners and consumers.”²³ However, TURN also argues that thresholds are needed because “[w]ithout such guidance, the affordability metrics only become useful/meaningful after a time series has been developed, which if updated annually, would take many years before one could even determine whether a trend is forming and/or attempt to analyze what factors are affecting the affordability metrics.”

²⁰ UCAN Comments p. 7.

²¹ Staff Proposal p. 8.

²² Cal PA Comments p. 24.

²³ TURN Comments p. 10.

SDG&E and SoCalGas disagree with a simplistic approach, and in prior comments²⁴ recommended the incorporation of the historical look to provide the necessary context for the comparative use of affordability metrics. SDG&E and SoCalGas believe that the Affordability metrics will be useful and meaningful after a time series has been developed, which if updated annually, will show trends. Thresholds in and of themselves do not increase affordability where it is needed most. As stated by Roger Colton, “Affordability is a range, not a point” so “[d]on’t treat it as more precise than it really is.”²⁵

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

SDG&E and SoCalGas agree that the Commission should begin to ask how affordability metrics can help improve the effectiveness of low-income customer programs that provide rate assistance. SDG&E and SoCalGas are concerned with the rising cost of living faced by all Californians. While there are many items in the basket of essential occupancy and shelter costs, utility service costs are just one item. Assistance programs arguably have a much greater positive impact on the health and welfare of households that truly need assistance than just the broader approach of limiting a rate change by a certain percentage.

Various parties support the use of affordability metrics to support a review or re-examination of existing programs. CforAT states “better information based on full affordability analysis may assist the Commission in any review of its existing affordability programs.”²⁶ TURN provides comments specifically about how API “allows the Commission to see how well low-

²⁴ SDG&E and SoCalGas Comments p. 11.

²⁵ Utility Bill Affordability: Definition, Data and Uses, Roger Colton Fisher, CPUC workshop presentation January 2019, Slide 4.

²⁶ CforAT Comments p. 7.

income programs are working by examining the correlation between a specific API and the enrollment of CARE and FERA programs and to direct utilities to target outreach efforts accordingly.”²⁷

SDG&E and SoCalGas generally agree that a more localized metric, such as API, if it is adjusted to include the benefits customers receive from various existing utility and non-utility programs and if it utilizes data relevant to the time period being assessed, may provide the Commission with more granular information to determine the effectiveness of utility and non-utility low-income assistance programs relative to affordability. Also, once so adjusted, a more localized metric may provide an opportunity to evaluate existing programs and inform future program designs. For instance, metrics such as API may assist in the targeting of the Energy Savings Assistance (“ESA”) programs to customers that have the greatest need, as well as informing targeted outreach approaches for CARE and FERA.

UCAN notes that while “most ratepayers are not finding paying for baseline quantities of utility services are unduly burdensome ... for many burdened customers, baseline quantities are insufficient to provide adequate service to their households”²⁸ UCAN goes on to recommend that for customers whose “consumption routinely is above baseline levels the Commission may need to consider adjustment to baseline consumption levels for geographic areas that have a high rate of arrearages.”

SDG&E and SoCalGas do not agree with UCAN’s conclusion that surveys are required to determine how high utility expenses are affecting spending patterns²⁹ and to sample those

²⁷ TURN Comments p. 9.

²⁸ UCAN Comments p. 8.

²⁹ *Id.*

ratepayers with a high level of arrears so the Commission could adjust baseline consumption levels for geographic areas that have a high rate of arrearages.³⁰ UCAN does not provide any reason why adjusting the baseline is a more appropriate, cost-effective course of action to address affordability in those areas. Accordingly, SDG&E and SoCalGas cannot comment on the logic of this recommendation.

In sum, SDG&E and SoCalGas believe that baseline usage should not be adjusted like a ratepayer program. Baseline should stay static so that programs can adjust up or down from that standard, depending on program design. UCAN raises concerns baseline quantities may be “insufficient to provide adequate service to ... households.”³¹ Essential use studies are expected to occur regarding essential use and SDG&E and SoCalGas believe UCAN’s concerns will be addressed through those studies.

III. CONCLUSION

SDG&E and SoCalGas appreciate the opportunity to provide these reply Comments and look forward to working with the Commission and other parties as this proceeding moves forward.

DATED this 20th day of September 2019, at San Diego, California.

Respectfully submitted,

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³⁰ *Id.*

³¹ UCAN Comments p. 8.