

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

Order Instituting Rulemaking to Develop  
Methods to Assess the Affordability Impacts  
of Utility Rate Requests and Commission  
Proceedings

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

**COMMENTS OF SOUTHWEST GAS CORPORATION (U 905 G)  
ON THE ADMINISTRATIVE LAW JUDGE'S RULING  
INVITING COMMENTS ON STAFF PROPOSAL**

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September 10, 2019

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9           **I.       INTRODUCTION**

10           Pursuant to the August 20, 2019, Administrative Law Judge’s Ruling Inviting Comments  
11           on Staff Proposal (Ruling), Southwest Gas Corporation (Southwest Gas or Company) provides  
12           comments in response to certain questions posed in the Ruling on the “Staff Proposal on  
13           Essential Service and Affordability Metrics” (Staff Proposal) dated August 20, 2019  
14           (Attachment A to the Ruling).

15           **II.       COMMENTS**

16           **1. Do the proposed affordability metrics adequately assess affordability? If not,**  
17           **how should the metrics be changed?**

18           Southwest Gas supports the use of more than one metric to assess affordability. Using  
19           a combination of Hours at Minimum Wage (HM), Affordability Ratio (AR), and Ability to Pay  
20           Index (API) provides a more rounded perspective combining elements across all utilities and  
21           supplementing each metric where one may fall short. The Company supports the use of Public  
22           Use Microdata Samples (PUMS) dataset since it includes housing costs, which can be  
23           separated out from other costs, including utility costs, to perform more focused analysis on  
24           each individual element included in the PUMS data. Southwest Gas supports Staff’s  
25           recommendation pertaining to the collection of “ACS customer cross-tabulations that provide

1 each utility expense and housing costs by income level at the tract scale...”<sup>1</sup>. However,  
2 Southwest Gas seeks clarification on the procedures for accessing and sharing of the data to  
3 be used in the affordability metric calculation and the timeliness of the data.

4 While Southwest Gas agrees that it is important to make sure the household-level data  
5 used in the affordability analysis is appropriate, it is equally important to ensure that the utility  
6 billing data used is also appropriate. Affordability should be considered in the context of  
7 existing programs regarding low income assistance. As it relates to the affordability analysis,  
8 the rate paid by low income customers is discounted under the California Alternate Rates for  
9 Energy Program (CARE) and medical baseline. Through the CARE Program, Southwest Gas  
10 low income customers receive a 20% discount on their monthly natural gas bills. It is this  
11 lower discounted rate that should be used for the affordability calculations. Using the generally  
12 applicable tariff rates for the affordability calculation skews the results for low income  
13 customers. Additionally, the total therms that customers would obtain at the baseline rate  
14 under the medical baseline program should also be considered.

15 Moreover, Southwest Gas believes that the affordability calculation should also include  
16 elements of essential services provided by the utility, not just usage by customers. There are  
17 services that utilities provide at the larger system level, such as safety, system reliability, and  
18 energy efficiency. Focusing on customer usage results in a narrow focus on quantities of  
19 natural gas, but essential service levels should also include needs that should be met (safety,  
20 reliability etc.).

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25 <sup>1</sup> Staff Proposal, at pg. 17.

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

3       Southwest Gas supports the use of public information and sources of data provided in  
4 the Staff Proposal given that more granular energy usage or income information may  
5 compromise customer privacy.

6       Southwest Gas also requests an opportunity to evaluate the essential use studies  
7 developed by Pacific Gas & Electric Company (PG&E) and Southern California Edison  
8 Company (SCE). Southwest Gas believes that having the opportunity to evaluate these use  
9 studies would be helpful to ensure the same essential use determination can apply across all  
10 Investor-Owned Utilities (IOUs).

11       Additionally, Southwest Gas also would like an opportunity in the future to comment on  
12 the workpapers supporting the Staff Proposal after sufficient time for review has passed.

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

15       Given the importance of relying on publicly available information for the affordability  
16 calculation, the Commission should ensure adequate staffing levels are maintained and staff  
17 are trained on how to acquire, work with the necessary data, and establish reasonable  
18 compliance timelines for utilities to provide necessary information for affordability metrics  
19 analysis. While Staff recommends that other IOUs including Small Multi-Jurisdictional Utilities  
20 “be required to also develop essential use determinations by no later than the essential use  
21 study submitted by SCE”<sup>2</sup>, Southwest Gas suggests holding a workshop examining the PG&E  
22 and SCE essential use studies to develop a methodology, identify resources, and establish  
23 working timelines necessary in providing affordability metrics to the Commission.

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25 <sup>2</sup> Staff Proposal, at pg. 11.

1                   **a. How should the Commission monitor and track affordability on a recurring**  
2                   **basis, outside of specific proceedings?**

3                   Southwest Gas suggests tracking affordability on an annual basis. However, in the  
4 event the publicly available data used in the calculation is not updated annually, Southwest  
5 Gas suggests matching the data update schedule for affordability tracking.

6                   **4. What is the most effective way to utilize affordability metrics in Commission**  
7                   **decisions and program implementation?**

8                   Affordability metrics should be used by the Commission to evaluate rulemaking and  
9 policy proposals as an additional tool, but the metrics should not be used to trump or outweigh  
10 all other considerations. It is important to consider affordability in the larger context of other  
11 Commission priorities such as safety, reliability, and decarbonization goals. The affordability  
12 criteria would be most effectively used as one tool in the toolkit to evaluate new rulemakings  
13 or policy proposals that directly affect rate payers.

14                   **a. What is the most effective way to use or interpret the resulting values from**  
15                   **affordability metrics in proceedings?**

16                   Southwest Gas suggests that one way to use the resulting values from the affordability  
17 metrics in rulemaking proceedings is to perform a cost-benefit analysis. To the extent that the  
18 benefits of new policies or programs can be monetized on a per-customer basis, the costs of  
19 the programs could also be included in the affordability analysis. Costs and benefits could be  
20 compared when deciding whether to implement a new policy or program for ratepayers.  
21 Southwest Gas does not believe that the affordability metrics should be used in assessing the  
22 impacts on the upside and downside with every routine rate change as affordability trends may  
23 not be accurately be reflected due to data lag of other variables and therefore would not  
24 provide much insight into the larger trend analysis.

1                   **b. What is the most effective way to use affordability metrics to prioritize or**  
2                   **design ratepayer programs?**

3                   To the extent the affordability metrics are successfully integrated into a cost-benefit  
4 analysis, those ratepayer programs that offer the most benefit with the least impact on  
5 affordability may be good candidates for implementation. The affordability metrics could  
6 therefore be used to prioritize customer assistance programs that provide the most customer  
7 benefit with the least cost to the utility while retaining reliability and safety of service.

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

11                  Prior to determining what types of proceedings the Commission should assess  
12 affordability, especially when evaluating new policies or rules that would directly impact  
13 ratepayers, the affordability metrics, including input parameters, must be finalized and the  
14 effectiveness of the metrics in assessing affordability should be considered.

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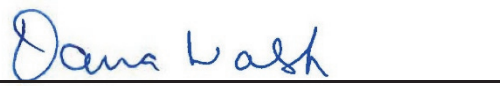
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**III. CONCLUSION**

Southwest Gas appreciates the opportunity to provide comments and looks forward to continuing to work with Commission Staff and other parties to address the topics identified in this proceeding.

DATED this 10th day of September, 2019.

Respectfully submitted,  
SOUTHWEST GAS CORPORATION



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