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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

**ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS
ON REVISED STAFF PROPOSAL**

This ruling invites comments from the parties on a revised staff proposal prepared by staff from the Commission's Water, Energy, and Communications Divisions, attached as Attachment A. This revised staff proposal builds on the original staff proposal filed for party comment on August 20, 2019, and incorporates certain feedback made by the parties on the original staff proposal. This ruling adds the revised staff proposal to the record of this proceeding.

Along with the existing record of this proceeding, the revised staff proposal and the party comments received on it will form the basis of a Commission decision in this proceeding, tentatively scheduled for June 2020. In order to meet the deadline for a Commission decision in this proceeding, the following schedule for party comment on the revised staff proposal is adopted. This schedule modifies the schedule previously adopted in the Assigned Commissioner's Amended Scoping Memo and Ruling (amended scoping memo) filed on November 8, 2019.

Revised Staff Proposal released	January 27, 2020
Opening Comments filed and served	February 21, 2020
Reply Comments filed and served	March 6, 2020

Parties are invited to submit written comments on the revised staff proposal, which may address any element of the revised staff proposal, including the following questions. Parties should note that the questions under the headings *Changes in the Report* and *Essential Service Charges – Missing Data* are of the most importance. Answers to other questions will assist staff; but in the event parties must choose which questions to respond to, staff prefer responses to questions under the headings *Changes in the Report* and *Essential Service Charges – Missing Data*. Parties should compose their responses under headings that recite the question responded to, so that staff may efficiently organize party comment on the revised staff proposal.

Changes in the Report

1. Is a Socioeconomic Vulnerability Index an appropriate substitute for an Ability to Pay Index?
2. Is 6 hundred cubic feet an appropriate statewide household-level essential service quantity for water?
3. Is the revised method for calculating Affordability Ratio more accurate than the method in the original staff proposal?
 - a. Is the regression model discussed on pages 35-38 an appropriate way to estimate housing costs?
 - b. Is the weighted-average aggregation method described on pages 40-41 a useful way of translating Affordability Ratio results to useful geographic scales?

Essential Service Charges – Missing Data

In the revised staff proposal's Appendix A, staff identify the areas in the state that are missing data for each type of essential service charge. Including areas with missing data when calculating the weighted average for a larger area may affect the aggregated results. In the current methodology for calculating Affordability Ratio, areas with no service provider for a utility service were assigned an essential charge of \$0 for that utility.

1. For each industry, staff plan to impute a substitute value for the essential service charge in areas with no essential service charge. What should that value be and how should it be determined?
 - a. For gas, households in areas with missing essential service charges may use an alternative heating fuel like propane or wood, or may be on an all-electric rate. How should staff determine whether those customers should be treated as all-electric customers (if a specific all-electric rate is available from the electricity provider) or customers that use an alternative heating fuel such as propane or wood?
 - i. For households that use an alternative heating fuel, should staff estimate their costs and use that as a substitute for a gas essential service charge?
 - ii. How should staff go about estimating the costs associated with alternative heating fuels?
 - b. For water, areas with missing essential service charges do not have access to a water provider, and may served by, for example, private wells. How should staff estimate these costs?
 - c. For communications, areas without an Incumbent Local Exchange Carrier may still have access to wireless service. How should these costs be estimated?
 - d. For each industry, should the value from the nearest utility be used as a proxy?

- e. For each industry, is \$0 an appropriate estimate of essential service charges in areas without access to that type of service?
- f. If a substitute value should not be imputed, how should areas with missing essential service charges be handled?

Annual Reporting and Interpretation

The revised staff proposal recommends that the Commission publish an Annual Affordability Report. Some examples of questions that staff expect the Report will answer are as follows:

- What does affordability look like in California for Commission-regulated utilities, as measured by Affordability Ratio, Hours at Minimum Wage, and the Socioeconomic Vulnerability Index?
 - Where is utility service most/least affordable?
 - How is affordability related to disconnections?
1. Are there questions not listed above that the Report should answer?
 - a. Are there other measures of hardship to compare against affordability, other than disconnections?
 2. What information is most useful in answering the above questions?
 - b. What level of granularity would be most useful/how specific does that information need to be?
 3. What is the most effective way to interpret the results of the Hours at Minimum Wage and Socioeconomic Vulnerability Index metrics?
 4. Should the Report make some ultimate determination on what level of affordability is acceptable?

Forecasting

When calculating the affordability impact of a rate change, the components of Affordability Ratio may increase or decrease if the rate change takes place over multiple years (for example, test and escalation years in a general rate case).

1. Is it appropriate to consider forecasting or escalation of income and non-discretionary charges (i.e., costs for housing and the essential services not being evaluated)?
2. Is using the “Estimates of Non-labor and Wage Escalation Rates” published by the Public Advocates Office an appropriate method of forecasting income and non-discretionary charges?
3. Should a forecasting method account for regional variation? If so, how?
 - a. Should staff develop a methodology for estimating income and housing costs based on correlation with historical economic indicators, accounting for regional variation?
4. Is there another forecasting method that should be used in this context?

IT IS RULED that:

1. The revised staff proposal as attached to this ruling is entered into the record of this proceeding.
2. Parties shall file and serve opening comments on the revised staff proposal no later than February 21, 2020.

3. Parties shall file and serve reply comments on the revised staff proposal no later than March 6, 2020.

Dated January 27, 2020, at San Francisco, California.

/s/ PATRICK DOHERTY

Patrick Doherty
Administrative Law Judge