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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  
(Filed July 12, 2018)

**JOINT COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY  
(U 902 M) AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON  
ASSIGNED COMMISSIONER'S AND ASSIGNED ADMINISTRATIVE LAW  
JUDGE'S RULING INVITING COMMENTS ON STAFF PROPOSAL ON  
IMPLEMENTATION OF AFFORDABILITY METRICS**

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January 10, 2022

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**I. INTRODUCTION**

Pursuant to Assigned Commissioner’s and Assigned Administrative Law Judge’s (“ALJ”) Ruling Inviting Comments on Staff Proposal on Implementation of Affordability Metrics (“Ruling”), dated November 5, 2021, and the ALJ e-mail ruling dated November 24, 2021, extending the time for party comments to January 10, 2022, San Diego Gas & Electric Company (“SDG&E”) and Southern California Gas Company (“SoCalGas”) respectfully provide the following timely comments on the Affordability Implementation Staff Proposal provided as Attachment A of the Ruling (“Staff Proposal”). The Ruling invited parties and stakeholders to comment on both the Staff Proposal and the specific questions posed within the Ruling.<sup>1</sup> For ease of reference, these Comments respond first to the Ruling’s questions (two general questions and four questions specifically directed to Energy stakeholders), followed by SDG&E’s and SoCalGas’ comments on portions of the Staff Proposal that were not otherwise addressed in response to the Ruling’s questions.

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<sup>1</sup> Assigned Commissioner’s and Assigned Administrative Law Judge’s Ruling Inviting Comments on Staff Proposal on Implementation of Affordability Metrics (November 5, 2021) at 4.

## II. DISCUSSION

In July 2020, the California Public Utilities Commission (“CPUC” or “Commission”) adopted “metrics and supporting methodologies to be used by the Commission for assessing the affordability of essential electricity, gas, water, and communications utility services in California.”<sup>2</sup> Although D.20-07-032 also defined affordability as “the degree to which a representative household is able to pay for an essential utility service, given its socioeconomic status,”<sup>3</sup> the Decision made clear that it “does not adopt an absolute definition of what constitutes affordable essential utility services.” Instead, the Commission determined it would “adopt[] metrics and methodologies for assessing affordability across utilities over time, in a way that is feasible for staff to implement and maintain. . .[in order to] allow Commission decision-makers and stakeholders to consider the relative impact on the affordability metrics of proposals before the Commission.”<sup>4</sup>

Staff issued a report on November 5, 2021 (“Staff Proposal”) that builds on that foundation by suggesting “how these metrics can be used to provide forward-looking analyses, the process by which the metrics will be refreshed on an annual basis, and how the metrics can be used in various capacities by the Commission.”<sup>5</sup> SDG&E and SoCalGas appreciate the significant work and efforts by the Commission’s Water, Energy, and Communications Divisions (“Staff”). The Staff Proposal lays the groundwork as outlined in D.20-07-032 to address “the relative impact on the affordability of proposals before the CPUC.”<sup>6</sup>

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<sup>2</sup> Decision (“D.”) 20-07-032 at 2.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 2-3.

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

<sup>6</sup> *Id.* at 8.

SDG&E and SoCalGas believe, however, that practical application of the proposed metrics must be more carefully assessed, tested, and considered, in light of applicable law and longstanding Commission policy, in order to determine whether they can be practically applied and/or useful in a proceeding. For example, the Staff Proposal must be considered in light of the law and Commission policy governing cost-based utility ratemaking as recently confirmed in D.21-01-002, the Commission’s “Rate Case Plan Decision” governing the GRC Rate Case Plan.<sup>7</sup> The Staff Proposal must also be considered in light of the Commission’s recent important safety and risk assessment initiatives in developing a risk-informed decision-making framework for GRC proceedings, as confirmed in the Rate Case Plan Decision, as well as the Rate Case Plan Decision’s stated efficiency goals in administering risk-informed GRC proceedings.<sup>8</sup> The additional amount of resources that would be required to implement the Staff Proposal must also be carefully considered, as it could exponentially increase the workload associated with and resources required for administering application proposals and issuing final decisions. It is important to understand whether, how, and by how much the Staff Proposal would be useful before imposing the burden of this additional workload on application proceedings.

Along this same line, the Commission should also weigh the affordability and administrative burdens associated with implementing any new initiative, as this can create significant upward pressure on a utility’s costs (as evidenced in GRC testimony). As proposed by Staff, implementation of these new requirements could also result in additional administrative burdens and complexities due to multiple updates that may be needed throughout ratemaking proceedings for which assessment of the metrics is implemented. For example, a utility may

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<sup>7</sup> D.20-01-002 (the “Rate Case Plan Decision”).

<sup>8</sup> *Id.*, *passim*.

calculate metrics when it submits its application, and then be required to update the metrics multiple times due to revenue requirement changes that are likely to occur throughout the proceeding – again, without a clear understanding of the usefulness or integrity of the calculations.<sup>9</sup> The Commission should also consider an additional metric that presents the burden that an energy bill places on a customer’s income – *e.g.*, an average electricity bill as a percentage of median income. Further, an accurate assessment and methodology must also take into consideration the benefits of programs for low-income customers. All of these considerations should be carefully weighed in determining appropriate Commission action on these issues.

For this reason, as discussed further below, the Commission should order additional procedural steps to carefully consider the important policy and practical issues raised by the Staff Proposal. If found to be useful, the Commission should pilot the use of affordability metrics in ratemaking applications. At this stage, without additional assessment, arbitrary imposition of the Staff Proposal’s requirements across all proceedings subject to the 1% threshold proposed in the Staff Proposal could create significant additional burdens on resources with no clear benefit. Responses to the Ruling’s questions and additional comments on the Staff Proposal are discussed in further detail below.

**A. Comments on General and Energy Industry Questions:**

- 1. It is unknown whether the Affordability Ratio Calculator tool would be useful, as use of the tool would appear to be inconsistent with law and Commission precedent, and the integrity of its results has not been vetted.**

The Ruling asks: “What outputs from the Affordability Ratio Calculator tool would be

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<sup>9</sup> For example, calculations regarding these metrics that are run within the confines of an application proceeding would not provide a holistic view of actual affordability impacts on customers as a whole.

useful?”<sup>10</sup> As explained below, SDG&E and SoCalGas believe it is premature to use the outputs from the affordability metrics for any decision-making purposes in General Rate Cases (GRCs) or other proceedings before the Commission because (a) such use of the tool has not been shown to be consistent with the law and longstanding legal and Commission precedent and (b) the integrity of its results have not been proven.

**a) To be useful, application of the Affordability Metrics must be consistent with law and Commission precedent.**

Application of the Affordability Ratio Calculator tool must be examined in light of the applicable law and Commission precedent regarding cost-based ratemaking. As further discussed below, use of the tool does not appear to be consistent with the applicable law and precedent that determines just and reasonable rates based on costs that a utility incurs to provide safe and reliable service to the public. By failing to address how affordability metrics would be used, it is impossible to square the Staff Proposal’s CPI-based metrics with the applicable law and precedent governing cost-based ratemaking.

Commission examination of costs in a GRC is governed by a well-established legal and risk-based decision-making GRC framework through which the Commission determines “just and reasonable” cost-based utility rates.<sup>11</sup> As the Commission recently reaffirmed, “utility investors and utility customers can reference over a century of legal and regulatory history that confirms the Commission’s role is not to merely pass utility cost estimates on to ratepayers, but rather to

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<sup>10</sup> Ruling at 5.

<sup>11</sup> See D.20-01-002, *discussion at 8-19*; see also D.14-12-025 at 16 (stating that the Commission’s adoption of a risk-based decision-making GRC framework “is consistent with ... the policy of this state that ... the ‘commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with *the principle of just and reasonable cost-based rates.*’ (§ 963(b)(3).)” (emphasis added).)

independently determine the just and reasonable level of costs necessary for the utility to meet its obligations.”<sup>12</sup> The U.S. Supreme Court has reasoned that, when the government regulates the rates a public utility may charge for serving the public, the utility must be justly compensated, and just compensation requires state regulators to establish a rate that will permit the utility to recover both its reasonable operating costs and expenses, as well as a reasonable rate of return on the value of the property that is devoted to public use.<sup>13</sup> The Commission thus sets “just and reasonable” rates<sup>14</sup> based on the well-established principle that a “utility is entitled to all of its reasonable costs and expenses, as well as an opportunity to earn a rate of return on the utilities’ rate base.”<sup>15</sup>

In accordance with the Commission’s GRC framework and the regulatory compact,<sup>16</sup> utilities file GRC applications and other revenue requirement requests that represent the costs to safely and reliably serve their customers and have an opportunity to earn a reasonable return on their investment. GRC cost-based ratemaking at the CPUC requires an assessment of just and reasonable rates based on a thorough examination of a utility’s test year cost forecasts, as the Rate Case Plan Decision explains:

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<sup>12</sup> D.20-01-002 at 12.

<sup>13</sup> See *Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm’n*, 262 U.S. 679, 692 (1923) (requiring regulators to give a “fair and just consideration of all the facts” when evaluating a utility’s costs and expenses); see also *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 310 (1989) (“[W]hether a particular rate is “unjust” or “unreasonable” will depend to some extent on what is a fair rate of return given the risks under a particular ratesetting system, and on the amount of capital upon which the investors are entitled to earn that return.”).

<sup>14</sup> See Pub. Util. Code Section 451.

<sup>15</sup> D.03-02-035 at 6; see also D.14-08-011 at 31 (“[T]he basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses plus a reasonable return on the value of the property devoted to public use[,]” (quoting *Southern California Gas Company v. Public Utilities Commission*, (1979) 23 Cal. 3d 470, 476)).

<sup>16</sup> D.20-01-002 at 10, *passim* (discussing and reaffirming the regulatory compact).

The GRC application provides detailed forecasts of the applicant’s capital investment expenses and its operating and maintenance (O&M) expenses for a designated “test year” as well as forecasts for two subsequent post-test years, or “attrition years.” *The Commission’s decision is based on its extensive review of the test year forecasts.* The post-test year revenue requirements are typically determined by (1) escalating the test year O&M expenses, and (2) authorizing capital expenditures at a level determined by either (i) applying additional escalation factors, or (ii) further review of the applicant utility’s actual capital budgets for those years.<sup>17</sup>

In recent years, the Commission has modified the GRC process to add new procedures that emphasize and prioritize how safety risks are managed, explaining that GRC revenue requirements must appropriately account for safety-related costs “consistent with the principle of cost-based rates”:

The revenue requirement adopted by the Commission is to be just and reasonable, and each utility “shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.” (§ 451.) Since the GRCs are the proceedings in which the revenue requirement is developed and adopted for each energy utilities’ operations, this is the appropriate place to start to “take all reasonable and appropriate actions necessary to carry out the safety priority of this paragraph consistent with the principle of just and reasonable cost-based rates.” (§ 963(b)(3).)<sup>18</sup>

And even more recently, the Commission’s Rate Case Plan Decision reaffirmed traditional cost-based ratemaking in GRC proceedings, particularly in light of recent safety- and risk-related modifications to its GRC Rate Case Plan.<sup>19</sup>

Additionally, in the context of determining attrition year rates (in the years following the

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<sup>17</sup> D.20-01-002 at 8 (footnote omitted) (emphasis added).

<sup>18</sup> D.14-12-025 at 5.

<sup>19</sup> *See, e.g.*, D.20-01-002 at 38 (“TURN and the utilities need not be concerned, because the [Rate Case Plan Decision’s] PD simply affirms the same ratemaking principles that guide their own approach to, and expectations of, GRCs.”); *see also id* at 33 (“It is important to create more time for the utilities to focus on day-to-day operations while implementing the still-relatively-new framework for risk-mitigation and accountability that we established in D.14-12-025.”).

test year in a GRC cycle) the Commission has repeatedly recognized that CPI does not accurately represent utility costs. On the contrary, the Commission has recently and routinely rejected the use of CPI escalators in post-test-year ratemaking mechanisms, as it is a broad wholesale pricing index that “does not reflect how utilities incur costs.”<sup>20</sup> For example, in in SDG&E’s and SoCalGas’ Test Year 2019 GRC Decision, D.19-09-051, the Commission stated:

We find that Global Insight escalation rates are specific to the utility industry and more accurately reflects SDG&E’s and SoCalGas’ inflationary cost increases. In contrast, escalation based on CPI, which is a broad wholesale pricing index, reflect price increases for goods and services in general and does not sufficiently capture the O&M escalation inputs of SDG&E and SoCalGas.<sup>21</sup>

Thus, costs experienced by utilities in California to operate and maintain their systems, reduce risks posed by or to their respective systems, while also continuing to invest and innovate in clean energy to help meet the states ambitious climate goals are not accurately captured by CPI-based metrics, and would not be accurately captured by any other means than cost-based ratemaking. The Commission’s statutory mandate is to determine that “[a]ll charges demanded or received by any public utility ...[are] just and reasonable,”<sup>22</sup> and the Commission has long held that a “utility is entitled to all of its reasonable costs and expenses.”<sup>23</sup> SDG&E and SoCalGas are unaware of any legal authority that would require just, reasonable, and necessary utility expenditures to be capped at a CPI-based rate of increase. Any adopted affordability metrics must

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<sup>20</sup> See, e.g., D.19-09-051 at 707 (“We also find that applying a percentage increase that is based on the Consumer Price Index (CPI) does not reflect how utilities incur costs.”); D.19-05-020 at 285-86; D.14-08-032 at 653, 655-56, 659-60; D.15-11-021 at 557-558; D.12-11-051 at 608-09.

<sup>21</sup> D.19-09-051 at 708.

<sup>22</sup> Pub. Util. Code Section 451.

<sup>23</sup> D.03-02-035 at 6; see also D.14-08-011 at 31 (“[T]he basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses plus a reasonable return on the value of the property devoted to public use[,]” (quoting *Southern California Gas Company v. Public Utilities Commission*, (1979) 23 Cal. 3d 470, 476 ”).

be reconciled with the applicable law and the Rate Case Plan Decision<sup>24</sup> in order to be useful for decision-making purposes in future GRCs and other revenue requirement proceedings.

The Commission’s risk-based decision-making framework was established to “assist the utilities, interested parties and the Commission, in evaluating the various proposals that the energy utilities use for assessing their safety risks, and to manage, mitigate, and minimize such risks.”<sup>25</sup> The State must continue to invest in safety, reliability, and risk reduction irrespective of changes to CPI or other indices. These standards therefore must be considered as the affordability metrics and tool is used by “Commission decision-makers and stakeholders to consider the relative impact on the affordability metrics of proposals before the Commission.”<sup>26</sup>

**b) The Affordability Ratio Calculator tool must also be vetted to demonstrate the integrity and usefulness of its results.**

The Staff Proposal states that “there will be a steep learning curve as stakeholders learn how to calculate and interpret the metrics, particularly the [Affordability Ratio] AR metric, which requires a thorough understanding of the forecasting assumptions of the metric inputs and of the geographically-based outputs.”<sup>27</sup> However, SoCalGas and SDG&E disagree that the proposed methodology has been sufficiently vetted to warrant incorporating this significant and complex process into “... [proceedings] to inform decisions on revenue requirement proposals.”<sup>28</sup>

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<sup>24</sup> Adopting metrics that are inconsistent with the Rate Case Plan Decision and other applicable Commission precedent would essentially constitute an impermissible collateral attack on the legal and procedural standards regarding GRCs that were recently affirmed in the Rate Case Plan Decision. *See* Pub. Util. Code Section 1709 (“In all collateral actions or proceedings, the orders and decisions of the commission which have become final shall be conclusive.”).

<sup>25</sup> D.14-12-025 at 2.

<sup>26</sup> D.20-07-032 at 2-3.

<sup>27</sup> Staff Proposal at 6.

<sup>28</sup> Staff Proposal at 12, pp. 26-27.

As shown in Table 1, the AR metric is not only complicated to compute, but also difficult to interpret and does not accurately reflect affordability. As set forth in the Staff Proposal, the input for the AR metric, which Staff proposes to refresh on an annual basis and make available via the Affordability Ratio Calculator (“ARC”), would not be vetted with the utilities or any stakeholders prior to its rollout. This may lead to incorrect results for the ratio, as the utilities and stakeholders would not be able to review and provide necessary corrections. Additionally, the proposed calculation of the essential usage bill is flawed because it will overstate the utility bills for lower income customers. As proposed by Staff, the essential usage bill is calculated without being adjusted for low-income assistance program discounts, like California Alternate Rates for Energy (“CARE”). Without accounting for low-income assistance program discounts, the result is an incorrect reflection of the essential utility service charges, which would lead to an incorrect calculated metric and incorrect interpretation of the same. The need to include an adjustment in the essential usage bill for the CARE discount is a matter of math, and not an assessment of program efficacy. For instance, for AR<sub>20</sub> calculation, the essential usage bill in the numerator is left unadjusted from the utility bill discount that the customers receive, yet the Affordability Ratio Calculator (ARC) input in the denominator is adjusted for lower income at the 20<sup>th</sup> percentile of income. Adjusting only one half of the equation will most likely lead to a higher resulting AR ratio, which would consequently skew the calculation to present a less affordable utility bill.

Unlike the AR ratio, the Hours at Minimum Wage (“HM”) ratio is a relatively straightforward metric. The only two inputs are the essential usage bill and the minimum wage for a given locality. The use of the minimum wage in the HM metric accounts for the lowest wages legally available in a given location, and as a result implicitly considers the impact of utility bills

on lower-income customers.<sup>29</sup> Similar to the essential usage bill in the AR<sub>20</sub> metric calculation, the essential usage bill in the HM ratio is also left unadjusted for the CARE discount. Without accounting for low-income assistance program discounts, the result is an incorrect reflection of the essential utility service charges, and would lead to an incorrect calculated metric and incorrect interpretation of the same. SDG&E and SoCalGas request that the Commission adopt a low income discount adjustment to the essential usage bill (the numerator of the ratio), to reflect the actual cost of essential usage for this group of customers in both the HM Ratio as well as the AR<sub>20</sub> ratio calculation.

In addition, the Staff Proposal recommends that essential service providers estimate the most likely future values of local minimum wage.<sup>30</sup> SDG&E and SoCalGas disagree. The utilities are not in the best position to make this adjustment because the minimum wage may vary in the different service territories and climate zones, leading to a skewed result for the HM metric. Like the ARC input discussed below, the HM values updates should follow the same annual cadence as the ARC update, with Staff providing the updated values.

Rather than rely on essential service providers or other parties to calculate an AR metric, Staff proposes to issue annually an updated ARC that will include the inputs necessary to calculate AR for households in the 20th and 50th percentiles.<sup>31</sup> These ARC results will then be introduced into proceedings to inform decisions on revenue requirement proposals.<sup>32</sup> While there is benefit to have the AR calculated in a consistent manner by the Energy Division, a process is

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<sup>29</sup> D.20-07-032, Findings of Fact 3 at 91.

<sup>30</sup> Staff Proposal at 13.

<sup>31</sup> Staff Proposal at 12.

<sup>32</sup> Staff Proposal at 12, pp. 26-27.

not identified to assess and comment on the inputs before they are fed into the ARC. Examination of the ARC inputs, including whether other inputs are relevant, is important particularly before the output from the ARC are considered by decision-makers in proceedings. An annual process is necessary to vet these inputs before the ARC calculator is posted on the Commission website.<sup>33</sup> Finally, the CPUC should evaluate alternate metrics that take into account the potential for skewed results as discussed above and herein. There should be a metric that truly assesses the affordability impact to all customers in a utility's service territory, rather than only lower income customers (who are already represented in the Affordability Ratio and Hours at Minimum Wage metrics). An assessment of median income impacts is a relevant measurement and is consistent with the decision's stated intention "to consider household-scale impacts and affordability concerns for a given geographic area as a whole;"<sup>34</sup> SDG&E and SoCalGas recommend adding the Energy Burden metric, even though this is a simplistic metric that can vary by region, it provides an easily understood benchmark on spending and shows the percent of income spent on energy.

## **2. It is Premature to use the Affordability Metrics to Identify/Designate Vulnerable Communities**

The Ruling asks: "Are there additional ways the metrics can be used to identify/designate vulnerable communities?" SDG&E and SoCalGas believe it is premature to determine if there are any additional ways the metrics can be used to identify/designate vulnerable communities as the metrics have not yet been implemented. The Commission should revisit this question after the efficacy of the metrics has been identified, and additional uses may be explored.

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<sup>33</sup> Staff Proposal at 13.

<sup>34</sup> D.20-07-032 at 10.

### **3. The Proposed Affordability Analysis Should not be used for Decision Making in Rate-setting Proceedings**

The Ruling asks: “Are the specific components of the affordability analysis recommended in section 4a of the staff proposal appropriate? Why or why not?” As stated below, SDG&E and SoCalGas recommend the Commission clarify its intent on how the affordability metrics will be used in the decision-making process. The Staff Proposal lacks explanation on how the metrics will be analyzed, and how the results of the affordability analysis will be considered in rate-setting proceedings. The Staff Proposal fails to state what the criteria is for decision making based on these metrics. SDG&E and SoCalGas recommend the Commission establish a process for which the affordability metrics and analysis tools can be tested in a pilot or limited implementation. Further, the metrics could be used for directional insights, benchmarking, to study affordability trends, and to glean insights in Areas of Affordability Concern (“AAC”). SDG&E and SoCalGas urge the Commission to avoid implementing practices that may result in delayed decision making, and to consider how the inclusion of the affordability analysis and affordability metrics may impact the timeline and schedule for rate-setting proceedings. Careful consideration of the Staff Proposal in additional proceedings or a pilot implementation will permit the metrics and tools to be analyzed and adjusted to ensure an accurate representation of affordability is portrayed.

Additionally, SDG&E and SoCalGas recommend the Commission review the Staff recommendation that non-GRC utility rate-setting applications with a proposed revenue requirement increase greater than one percent be subject to affordability analysis during the recommended pilot and use the findings to determine an appropriate revenue requirement threshold. Accessing results from the limited implementation pilot will put stakeholders in a better position to make recommendations for reporting and presentation of the affordability metrics and help determine which non-GRC applications would benefit from the inclusion of the

affordability metrics. Even the Staff Proposal emphasized that, “there will be a considerable learning curve as the IOUs and other stakeholders learn how to use the Affordability Ratio Calculator.”<sup>35</sup> SDG&E and SoCalGas request additional clarification on whether a one percent threshold to trigger an affordability metric analysis is too low and how that threshold is defined.<sup>36</sup>

#### **4. Energy Burden Should be Considered as an Additional Metric**

The Ruling asks: “Are there additional components that should be added, or components that should be removed?” SDG&E and SoCalGas believe that the Staff Proposal focuses solely on lower income customers and does not include a metric to assess the broader customer population. Inclusion of the Energy Burden measure as a metric would allow the assessment of affordability in the geographic area as a whole.<sup>37</sup> SDG&E and SoCalGas requests that another metric be added which sheds light on the essential utility bill as percentage of median income. The Energy Burden metric captures all customers in a utility’s territory and is simple and easily understood and should be added to the list of metrics so the evaluation is useful for all customers and not only the low income customers.

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<sup>35</sup> Staff proposal at 28.

<sup>36</sup> For example, is the affordability analysis required for proposals with incremental annual revenue requirement or where the entire rate setting application incremental revenue requirement greater than one percent.

<sup>37</sup> *See, e.g.*, A.14-11-007/-011 (cons.) Monthly Reports of SDG&E and SoCalGas on Low-Income Assistance Programs for May 2020 (June 22, 2020). SDG&E estimated 302,245 households are CARE eligible out of SDG&E’s total 1,352,573 residential accounts. SDG&E’s service territory is made up of approximately 22% electric CARE-eligible households, leaving approximately 78% of SDG&E’s customer base unrepresented in the assessment of affordability as currently proposed by the PD. *See id.*, SDG&E Report at 17 and CARE Table 8: Participants as of Month-End. Similarly, SoCalGas estimated 1,674,331 households are CARE-eligible out of 5,645,179 million residential accounts. *See id.*, SoCalGas Report at 17 and CARE Table 8: Participants as of Month-End. SoCalGas’ service territory is made up of approximately 30% gas CARE-eligible households, leaving approximately 70% of SoCalGas’ customer base unrepresented in the assessment of affordability as currently proposed by the PD.

**5. A Pilot is Needed before Determining How and When the Metrics Should be Updated**

The Ruling asks: “How and when should updates to the metrics be produced during (*e.g.*, Motion to Adopt Settlement Agreement) and at the conclusion of the proceeding (*e.g.*, Proposed Decision)?” As mentioned previously, the use and efficacy of the outputs from the affordability metrics for any decision-making purposes remain unknown. As such, updating the metrics at different stages of an application will result in significant work effort with no clear direction on how these will be used. A limited implementation or pilot will shed light as to how and when these metrics should be produced and updated and ensure an accurate representation of affordability. Assessing results from the limited implementation pilot would put stakeholders in a better position to make recommendations for reporting and presentation of the affordability metrics.

**6. Results from the Pilot Should be Reviewed Before Implementing Affordability Analysis in Other Use Cases**

The Ruling asks: “What other affordability analysis use cases, if any, are appropriate?” SDG&E and SoCalGas urge the Commission to fully vet the Use Cases proposed in the Staff Proposal before further considering additional implementation. Furthermore, SDG&E and SoCalGas urge the Commission to avoid implementing practices that may result in delayed decision making and urge the Commission to consider how the inclusion of the affordability analysis and affordability metrics may impact the timeline and schedule rate-setting proceedings.

**B. Additional Comments for Consideration on the Staff Proposal on Implementation of the Affordability Metrics**

The Staff Proposal describes the methods for forecasting future values of the various inputs of the AR metric. Staff proposes to use the Consumer Price Index for all urban consumers (“CPI-U”) to estimate income growth for households at the 50<sup>th</sup> percentile of the income

distribution used in AR50 metric; the Consumer Price Index for urban wage earners and clerical workers (“CPI-W”) to estimate income growth for households at the 20<sup>th</sup> percentile of the income distribution used in the AR20 metric; and the change in the price of shelter (a component of CPI) to forecast the change in housing costs.<sup>38</sup> However, the Staff Proposal states that the AR tool “will come pre-populated with estimates of essential usage bills in future years by applying the forecasted US average CPI-U values.”<sup>39</sup> As discussed above, in the General Rate Cases and other proceedings, utility costs are not escalated by the CPI-U. Rather utility costs are escalated by utility-industry cost indices. The Staff Proposal’s use of CPI is an inappropriate index for utilities, because CPI represents a far different weighted mix of goods and services costs than those faced by utilities. It is more appropriate to estimate essential usage utility bills using cost indices that reflect the industry costs that impact utilities and their customers’ bills. For example, it would be more appropriate to forecast gas and electric bills using the IHS/Markit Global Insight utility cost indices for total operations and maintenance goods and services--JGTOTALMS (for gas) and JETOTALMS (for electricity). Finally, SDG&E urges the Commission to allow the electric utilities to complete and publish the final essential usage study from A.19-11-019 before considering incorporation into this proceeding.

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<sup>38</sup> Staff Proposal at 11-12.

<sup>39</sup> Staff Proposal at 13.

### III. CONCLUSION

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

DATED this January 10, 2022, at San Diego, California.

Respectfully submitted,

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