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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.	R.18-07-006

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS 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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SUMMARY OF RECOMMENDATIONS

- The essential usage for medical baseline customers should be incorporated into the Affordability Ratio Calculator tool;
- The California Public Utilities Commission (Commission) should not use the affordability metrics as the only method with which to designate vulnerable communities;
- An affordability analysis should be required not only in proceedings involving revenue requirement increases (such as rate-setting proceedings), but should also be performed any time the Commission proposes to order procurement or modify rules that could increase compliance costs;
- The Staff Proposal's recommendation to allow the Commission to share, prior to its public release, a proposed decision (PD) with investor-owned utility (IOU) staff in order to obtain affordability analysis from such staff is inappropriate, creates a conflict of interest, and should be removed;
- The Commission should require the affordability metrics to be updated through rulings before a PD is issued to obtain the greatest benefit and potential modifications as a result of the affordability analysis; and
- The Commission should include a cover page in Voting Meeting agendas with a table summarizing the impact each individual agenda item has on each of the three affordability metrics to ensure public availability of and accessibility to the cost implications of Commission actions.

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The California Community Choice Association[1] (CalCCA) submits these Comments in response to the *Assigned Commissioner's and Assigned Administrative Law Judge's Ruling Inviting Comments on Staff Proposal on Implementation of Affordability Metrics* (Ruling), issued on November 5, 2021, and *E-Mail Ruling Granting Motion of California Water Association for Extension of Time for Comments on Staff Proposal* (Email Ruling), issued on November 24, 2021.

I. INTRODUCTION

Utility rate affordability is a matter of strong interest in the communities our member CCAs represent and is one of the three founding pillars of community choice in California. The Affordability Metrics Implementation Staff Proposal (Staff Proposal) provides constructive

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[1] California Community Choice Association represents the interests of 22 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

proposals to forecast and interpret the value of the metrics established in Decision (D.) 20-07-032.[2] The Staff Proposal also considers how the metrics can be applied to Commission decision-making.[3] In response to the questions posed in the Ruling,[4] CalCCA recommends the following modifications to the Staff Proposal to enhance the methodologies for assessing the impact of Commission actions on affordability:

- The essential usage for medical baseline customers should be incorporated into the Affordability Ratio Calculator tool;
- The Commission should not use the affordability metrics as the only method with which to designate vulnerable communities;
- An affordability analysis should be required not only in proceedings involving revenue requirement increases (such as rate-setting proceedings), but should also be performed any time the Commission proposes to order procurement or modify rules that could increase compliance costs;
- The Staff Proposal's recommendation to allow the Commission to share, prior to its public release, a PD with IOU staff in order to obtain affordability analysis from such staff is inappropriate, creates a conflict of interest, and should be removed;
- The Commission should require the affordability metrics to be updated through rulings before a PD is issued to obtain the greatest benefit and potential modifications as a result of the affordability analysis; and
- The Commission should include a cover page in Voting Meeting agendas with a table summarizing the impact each individual agenda item has on each of the three affordability metrics to ensure public availability of and accessibility to the cost implications of Commission actions.

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2 *See* Staff Proposal at 10-25; D.20-07-032, Decision Adopting Metrics and Methodologies for Assessing the Relative Affordability of Utility Service, R.18-07-006 (July 16, 2020) (Phase I Decision).

3 Staff Proposal at 26-37.

4 As CCAs only provide electric energy, CalCCA's responses to questions in the Ruling are limited to Questions 1-6 (General questions, and questions related to energy). CalCCA provides no responses to the Ruling's questions regarding water or communications.

II. QUESTIONS/RESPONSES

A. General Questions

1. What outputs from the Affordability Ratio Calculator tool would be useful?

The essential usage bill forecast as part of the Affordability Ratio Calculator (Calculator) tool should incorporate the rates and bills of medical baseline residential customers. As proposed, the Calculator tool does not currently take inputs or produce outputs concerning medical baseline customers. As a result, the affordability impact of a proposed revenue requirement increase would currently not be determined for medical baseline customers. The Commission should modify both the inputs and outputs of the Calculator tool in the following manner: 1) a medical baseline essential usage should be added as an input; and 2) an Affordability Ratio should be calculated for medical baseline customers as an output.

2. Are there additional ways the metrics can be used to identify/designate vulnerable communities?

The affordability metrics should not be the only or primary method the Commission uses to identify or designate vulnerable communities. The Commission has defined vulnerable communities in a number of proceedings that impact low-income individuals, disadvantaged communities, and access/functional needs individuals. For the purposes of the Affordability proceeding, however, CalCCA encourages the Commission to consider the impacts on affordability for "persons reliant on electricity to maintain necessary life functions including durable medical equipment and assistive technology" as defined in the Rulemaking to Examine Electric Utility De-Energization of Power Lines in Dangerous Conditions (R.18-12-005). These individuals are reliant upon electricity for basic health and safety which public safety power shutoffs threaten physically, but they are also extremely sensitive to electricity costs because they do not have the option to reduce their electricity usage as a means to lower their bills.

Essential usage for these types of customers should be an input into the Commission's affordability measurements.

3. Are the specific components of the affordability analysis recommended in section 4a of the staff proposal appropriate? Why or why not?

Section 4a of the Staff Proposal considers three "use cases" for affordability metrics in Commission decision-making.[5] Use Case #1 proposes to use affordability metrics to inform decisions on revenue requirement proposals. While the general concept for this use case is appropriate (*i.e*., assessing affordability when revenue requirements are to increase), Use Case #1 should be modified to allow the Commission to evaluate affordability *before* costs are incurred. As currently written, Use Case #1 only requires the affordability metrics analysis to occur in General Rate Cases (GRCs) and Energy Resource Recovery Accounts (ERRAs), or revenue requirement requests in other rate-setting applications that increase revenue requirements more than one percent. By the time approval of a revenue requirement is being requested in revenue requirement setting proceedings, the approval for the general cost to be incurred has already been issued elsewhere. At that point, the options to address costs concerns are more limited than if the affordability concerns had been addressed before the costs are to be incurred.

Furthermore, rate-setting applications are not the only place where actions are taken by the Commission that affect revenue requirements. For example, in the Integrated Resource Planning (IRP) proceeding, the Commission recently ordered 14,800 megawatts (MW) of procurement, which must come online on expedited timelines, without ever considering the impact of such orders on affordability.[6] The actual transactions for IOUs, which incur the costs,

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5 Staff Proposal at 26-32.

6 *See* D.19-11-016, *Decision Requiring Electric System Reliability Procurement for 2021-2023,* R.16-02-007 (Nov. 7, 2019); D.21-06-035, *Decision Requirement Procurement to Address Mid-Term Reliability (2023-2026),* R.20-05-003 (June 24, 2021).

are approved in Advice Letters,[7] and the forecast of future costs to meet the procurement orders are forecasted in the ERRA Forecast proceedings. In this example, such a large procurement order should have triggered an affordability analysis, yet under Use Case #1, no such analysis would be conducted. Therefore, in addition to rate-setting applications, an affordability analysis should be required any time the Commission proposes to order procurement or modify rules that would foreseeably increase compliance costs by more than one percent.

Additionally, the Staff Proposal only specifies the GRC and ERRA Forecast proceedings and periodic approvals of program budget proposals "for public policy-related revenue requirements" as places where decisions that affect revenue requirements are made.[8] This section of the Staff Proposal should be modified because it obscures the fact that GRC costs for the three IOUs make up less than half the total system revenue requirement for the year, as recognized in the OIR in this proceeding.[9] Revenue requirements are affected by decisions adopted in dozens of proceedings that have a material impact on the total revenue requirement implemented into rates every year through the Annual Electric True-up advice letter process. The Cost of Capital, Diablo Canyon Nuclear Power Plant retirement, Wildfire Mitigation, Catastrophic Event Memorandum Account, Demand Response, IRP, Energy Efficiency, Extreme Weather, and Transportation Electrification proceedings, to name only a few, all have adopted and continue to adopt orders that affect revenue requirements. The Annual Electric True-up advice letter process

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7 *See, e.g.*, PG&E Advice Letters 5826-E and 6033-E.

8 Staff Proposal at 26.

9 *Order Instituting Rulemaking to Develop Methods to Assess the Affordability Impacts of Utility Rate Requests and Commission Proceedings*, R.18-07-006 (July 12, 2018) at 6 (stating that in 2017, "GRC-authorized revenue requirement for each of the three largest electric investor-owned utilities made up less than half of the total system revenue requirement for the year" (citing the CPUC's April 2018 "California Electric and Gas Utility Cost Annual Report" to the Governor and Legislature (PU Code 913). "Significant other revenues were collected as part of [ERRA] proceedings, transmission rate cases at the Federal Energy Regulatory Commission, as well as other California Public Utilities Commission (CPUC) program costs").

best illustrates the universe and scope of revenue requirements being implemented into rates on an annual basis. For example, in PG&E's Advice Letter 6408-E, Annual Electric True-Up Submittal – Change to PG&E's Electric Rates on January 1, 2022, sixty-seven (67) different revenue requirements approved in various decisions and advice letters were consolidated into one annual rate change.[10]

With regard to Use Case# 2, addressing the use of the affordability metrics to inform program design and customer targeting through more specific segmentation, CalCCA has no comment at this time but reserves the right to respond in reply.

Finally, CalCCA is supportive of Use Case #3 which introduces the application of the affordability metrics to proposals made in Phase 3 of this proceeding, regarding mitigating future rate increases.

4. Are there additional components that should be added, or components that should be removed?

The recommendation in the Staff Proposal allowing portions of PDs to be shared with IOU staff before the PD is publicly issued should be removed. The Staff Proposal states that the "CPUC may establish procedures for advance release of portions of the [PD] to a limited number of IOU technical staff for model runs or to perform operations necessary to produce new [affordability] numbers."[11] This proposal is inappropriate, as there is an inherent conflict of interest. The IOUs would be calculating the affordability metrics, while also requesting increases to their revenue requirements, all while ultimately being governed by shareholder primacy. IOUs are not neutral parties and should therefore not be granted early access to PDs.

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10 *See* PG&E Advice Letter 6408-E at 5-6.

11 Staff Proposal at 32.

IOUs should also not be relied upon as the Commission's resource for calculating the metrics. Instead of depending on IOU staff to produce affordability metrics, the Commission should develop the capabilities to produce affordability metrics itself or hire an independent third-party contractor to produce them. There is more than one situation in which having independent Commission capabilities to produce an affordability analysis is warranted. For example, a situation may arise in which a Commission's PD increases revenue requirements and the affordability metrics calculated earlier in the proceeding are no longer accurate. Another situation may arise where the Commission is proposing to order an action, such as expedited procurement or the development of a new program, that affects affordability. The Commission should be able to independently calculate the affordability metrics to accompany its proposed orders.

5. 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)?

The Commission should modify Staff Proposal's requirement that the metrics be calculated at the conclusion of a proceeding (*i.e.*, the PD stage). The Staff Proposal states that significant changes to proposed revenue requirement resulting from a Settlement Agreement or a PD require updated affordability metric calculations and interpretation analysis.[12] While this is true, the Commission should require the affordability metrics to be updated as part of any Rulings leading up to the point at which a PD is drafted and mailed.

The Ruling stage of a proceeding is a more appropriate time to produce metrics because this is the time when the record in the proceeding is being developed and intervenors can analyze and respond to proposals from parties and Energy Division. At the time of a PD, the record has

[12] Staff Proposal at 5.

already been developed. As stated in response to Question 3, above, affordability analysis is needed in more than just the GRC and ERRA proceedings, and ensuring that updates of affordability metrics occur at the proposal stage of a proceeding will ensure such metrics are truly part of the record that ultimately yields a PD.

Additionally, CalCCA supports the Staff Proposal recommendation to require that an affordability analysis accompany a Motion to Adopt Settlement. This will allow parties to file replies that are informed by the impact of the settlement on affordability.

6. What other affordability analysis use cases, if any, are appropriate?

Almost everything the Commission does affects affordability in California. Thus, additional use cases for affordability analysis are plentiful. In the near term, in addition to CalCCA's response to Question 3 (recommending application of the metrics for proceedings that order procurement or modify compliance costs), CalCCA recommends that the Commission also expand the application of affordability metrics to the Commission's Voting Meeting agendas. Given limited resources and the fact that the Commission is easing into the implementation of the metrics, expanding the use cases for the affordability analysis to the Commission's Voting Meetings is the quickest way to increase rate transparency. This proposal responds to the issue of how to make measurements of the affordability metrics publicly available and accessible, which has also been scoped into this Phase 2 of the proceeding.[13]

In order to incorporate the affordability metrics into the Voting Meeting agendas, CalCCA recommends that the Commission place a cover page on each Voting Meeting agenda that summarizes the cost impact of each of the items on the agenda and their impact on the Commission's three affordability metrics. The Commission would then be providing the metrics

[13] Ruling at 2.

to the public in an easily accessible place and facilitate an improvement in the public's understanding of how the Commission's actions affect rates in California. Currently, the agendas list "Estimated Cost" for each agenda item but do not provide any context for the cost, which makes it difficult for both decision makers and the public to understand the affordability implications of the matter being voted on. For this reason, CalCCA recommends that a cover page on the Commission's Voting Meeting agendas be adopted as an additional use case for the affordability analysis.

Alternatively, if there are resource constraints that prevent the affordability metrics from being summarized as part of the Voting Meeting agenda packet, the affordability metrics should be a required to be included as a cover page to each of the IOU's annual rate change advice letters. These advice letters provide the single annual filings that look at the full impact of Commission actions, directly before they are implemented into rates. Application of the affordability analysis in, for example, the annual electric true-up advice letter provides the best opportunity to measure affordability across all of the Commission's approved revenue requirements because it would summarize the impact of all the revenue requirements contained in the advice letter.

III. CONCLUSION

CalCCA looks forward to playing a constructive role in addressing the fundamental affordability issues facing California and thanks the Commission for its consideration of the recommendations addressed herein.

Respectfully submitted,

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CALIFORNIA COMMUNITY CHOICE ASSOCIATION

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