



**PUBLIC UTILITIES COMMISSION**

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TO PARTIES OF RECORD IN RULEMAKING 18-07-006:

This is the proposed decision of Commissioner Darcie L. Houck. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's July 14, 2022 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ ANNE E. SIMON

Anne E. Simon  
Chief Administrative Law Judge

AES:nd3  
Attachment

Decision PROPOSED DECISION OF COMMISSIONER HOUCK  
(Mailed 6/10/2022)

**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

**DECISION IMPLEMENTING THE AFFORDABILITY METRICS**

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## **DECISION IMPLEMENTING THE AFFORDABILITY METRICS**

### **Summary**

Decision 20-07-032 adopted three metrics, the Affordability Ratio, Hours-at-Minimum-Wage, and SocioEconomic Vulnerability Index, by which the California Public Utilities Commission would assess the relative affordability of essential utility service across industries and proceedings, including examination of how different geographic areas of California are impacted. This decision directs when and how the affordability framework will be applied in Commission proceedings and further develops the tools and methodologies used to calculate three affordability metrics.

This proceeding remains open.

### **1. Factual and Procedural Background**

On July 12, 2018, the Commission opened the instant rulemaking to examine the impacts of individual Commission proceedings and utility rate requests on affordability. In summer 2020, the Commission issued the Phase 1 Decision (D.) 20-07-032 adopting three metrics, the Affordability Ratio, Hours-at-Minimum-Wage (HM), and SocioEconomic Vulnerability Index (SEVI) by which the Commission would assess the relative affordability of essential utility service across industries and proceedings, including examination of how different geographic areas of California are impacted. The terms affordability metrics and affordability framework may be used interchangeably, as both terms encompass features of the metrics defined and standardized in D.20-07-032: definitions, quantities of essential service, as well as the three adopted metrics.

In addition, with D.20-07-032, the Commission initiated (1) implementation of the metrics in ratesetting proceedings generally; (2) annual production and interpretation of updated metrics in a Commission-sponsored

annual Affordability Report; and (3) submission and development of an electric Cost and Rate Tracking Tool (Tracker). Finally, the Commission scoped ongoing work and implementation of the affordability framework in this second phase of this proceeding.

### **1.1. Factual Background**

The Affordability Ratio and the HM can be understood as California-specific variants of the more commonly known “energy burden.”<sup>1</sup> Similar to the calculation of an energy (or any utility industry) burden, the Affordability Ratio and the HM contrast the cost of a utility bill with the resources of a representative household within a community. The primary differences between calculating an energy burden and calculating the Affordability Ratio or HM are (1) limiting the utility bill cost to only essential, rather than average amounts of service; and (2) representing the households’ resource level by more than just income. The inputs to all three affordability metrics are calculated individually by industry, with reference to a standardized geographic unit (census tract), effectively dividing California into about 8,000 communities. Common reference to the census tract allows metrics to be recombined into larger communities, across industries, or both.

Related, for over a decade, the Commission has relied upon the California Communities Environmental Health Screening (CalEnviroScreen) tool<sup>2</sup> to produce a metric ranking California census tracts by level of vulnerability. Based on CalEnviroScreen, the California Environmental Protection Agency (CalEPA)

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<sup>1</sup> Energy burden is the percentage of income spent on energy.

<sup>2</sup> The California Communities Environmental Health Screening tool (CalEnviroScreen) is developed by Office of Environmental Health Hazard Assessment within the California Environmental Protection Agency (CalEPA).

formally designates approximately one-quarter of California communities ranked most vulnerable as Disadvantaged Communities (DACs).<sup>3</sup>

The Affordability Ratio displays the impact on a representative household at two different resource levels:<sup>4</sup>

- Affordability Ratio 50 (AR50): affordability ratio for a representative hypothetical household in the middle, resource-wise, compared to others in a community; and
- Affordability Ratio 20 (AR20): affordability ratio for a representative hypothetical household at the lower-end, resource-wise, compared to others in a community.<sup>5</sup>

The HM displays an affordability impact for households by referencing a third resource level: any household that earns the minimum wage of their community.<sup>6</sup> The HM may be understood as representing a “community” of those who earn minimum wage, regardless of the affluence of where they reside.<sup>7</sup>

The third metric, the SEVI, measures community-level, not household level, resources and is a variant of the CalEnviroScreen tool already in use in California to designate DACs.<sup>8</sup> Commission staff created the SEVI by extracting

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<sup>3</sup> See additional discussion of CalEnviroScreen in Section 4.2. *Replacing SEVI with CalEnviroScreen.*

<sup>4</sup> D.20-07-032, Findings of Fact (FoF) 7, 25.

<sup>5</sup> Lower-end = 20th percentile.

<sup>6</sup> “. . . the HM metric measures. . . affordability. . . for a low-income household regardless of what income levels are for the community. . .” 2019 Affordability Report at 39.

<sup>7</sup> D.20-07-032, FoF 3. *See also* “The minimum wage-based metric also implicitly considers the impact of essential utility service charges on lower-income customers regardless of the socioeconomic conditions of the community as a whole.” 2019 Affordability Report at 15.

<sup>8</sup> Senate Bill (SB) 535 (Chapter 830, Statutes of 2012) mandated that California use certain Cap-and-Trade action proceeds to fund investments in “disadvantaged communities” and charged the CalEPA with developing specific criteria and methods by which to designate DACs.

the socioeconomic pieces of the CalEnviroScreen tool, which combines U.S. Census Bureau data, called indicators, at the census tract level. CalEnviroScreen scores census tracts by environmental, health and socioeconomic indicators, notably omitting the utility bill.<sup>9</sup>

The metrics differ in their grouping of households into communities, therefore each showing a different perspective depending on the affluence, or resource level (the term used in this decision), of the community. Multiple perspectives add complexity and yet are necessitated by the Commission's finding in D.20-07-032 that households "will have a wide variety of experiences that cannot be perfectly captured by depicting a single household."<sup>10</sup>

## **1.2. Procedural Background**

The Commission opened Phase 2 of this proceeding to pursue implementation and further refine the metrics discussed and defined above.<sup>11</sup> The issue of cost and rate tracking tools for the water and energy industries was added to the scope of Phase 2 in a third Amended Scoping Memo and Ruling issued October 21, 2020. In spring and summer 2021, the proceeding was reassigned to Commissioner Darcie L. Houck and Administrative Law Judge (ALJ) Camille Watts-Zagha, respectively. Commissioner Houck issued a fourth Amended Scoping Memo and Ruling on September 15, 2021, scheduling a third phase of this proceeding. This third phase was to be focused on energy, with possible future phases to consider strategies to mitigate rate increases. After a prehearing conference held October 22, 2021, the assigned Commissioner and assigned ALJ issued the *Ruling Inviting Comments on Staff Proposal on*

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<sup>9</sup> D.20-07-032, FoF 4, 5.

<sup>10</sup> D.20-07-032, FoF 8, 9, 11, 18 and Conclusion of Law (CoL) 7.

<sup>11</sup> Second Amended Scoping Memo and Ruling dated June 9, 2020.



*Implementation of Affordability Metrics* (Implementation Staff Proposal) on November 5, 2021, followed by a workshop on the Implementation Staff Proposal held November 15, 2021. Stakeholders further explored one specific recommendation of the Implementation Staff Proposal in subsequent workshops held November 30, 2021, December 6, 2021, and December 13, 2021: implementation of a Water Cost and Rate Tracking Tool (Water Tracker).

Eighteen parties filed opening comments on the Implementation Staff Proposal by January 10, 2022,<sup>12</sup> and 14 parties filed reply comments on January 25, 2022.<sup>13</sup>

The Implementation Staff Proposal and parties' comments and reply comments on that proposal constitute the record that is the basis for this decision.

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<sup>12</sup> Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas)/San Diego Gas & Electric Company (SDG&E) (large Investor-Owned Utilities (IOUs)), jointly PacifiCorp, Liberty Utilities (CalPeco Electric) LLC, Bear Valley Electric Company, Inc. as the California Association of Small and Multi-Jurisdictional Utilities (CASMU), jointly Calaveras Telephone Company, Cal-Ore Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, Inc., the Siskiyou Telephone Company, Volcano Telephone company, Winterhaven Telephone Company as the small Local Exchange Carriers (Small LECs), The Utility Reform Network (TURN), National Diversity Coalition (NDC), Utility Consumers Action Network (UCAN), California Community Choice Association (CalCCA), the Greenlining Institute (Greenlining), the Center for Accessible Technology (CforAT), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), California Water Association (CWA), Golden State Water Company (Golden State), California Water Service Company (Cal Water), California Cable and Telecommunications Association (CCTA) jointly Santa Barbara Cellular Systems, Ltd., AT&T Mobility Wireless Operations Holdings, Inc., New Cingular Wireless PCS, LLC d/b/a AT&T Mobility, AT&T Corp., Pacific Bell Telephone Company d/b/a AT&T California as AT&T, and CTIA.

<sup>13</sup> PG&E, SCE, SoCalGas/SDG&E, the Small LECs, TURN, NDC, CforAT, Cal Advocates, CWA, Golden State, Cal Water, CCTA, AT&T, CTIA.

## 2. Legal Authorities

In D.20-07-032, the Commission concluded the metrics would help the Commission meet statutory requirements of Public Utilities Code (Pub. Util.) Code Section 739(d)(2), Section 382, Section 739.8(a), and Section 871.5 mandating affordable energy, gas and water, and of Section 709, Sections 280-281, and Section 275.6 assigning the Commission a significant role in preserving universal access to essential communications services.<sup>14</sup>

The Commission has the obligation to consider whether utility rates or charges are affordable while also enforcing the mandate of Pub. Util. Code Section 451 to ensure costs authorized and recovered from ratepayers are just and reasonable, consistent with safe and reliable service.<sup>15</sup> Equally pertinent, Pub. Util. Code Section 454<sup>16</sup> requires electric, gas, water, and telephone corporations to notify affected customers of proposed revenue changes that will impact their utility bill, by displaying rate impacts of the proposed revenue change in dollars and degree of change (percentage). Subsections (c) and (d) of Pub. Util. Code Section 454 express the legislative intent associated with notice requirements, and directs the Commission to consider both the utility proposal, together with the informed response of the people subject to the proposal, before taking action:

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<sup>14</sup> D.20-07-032 at 5, 7 and CoL 1, 3.

<sup>15</sup> See D.20-01-002 *Decision Modifying the Commission's Rate Case Plan for Energy Utilities* at 8-19.

<sup>16</sup> Pub. Util. Code Section 454(a)-(b) is the basis for Rule 3.2(d) of the Commission's Rule of Practice and Procedure (Rules) requiring utilities notice the public of applications for rate increases, and include rate impacts by customer classification in order to facilitate public input on the application. Pub. Util. Code Section 454(c) is the basis for Rule 3.2(a)(3) requiring utility applicants for rate changes to include rate impacts and, when the requested new revenue increase exceeds of one percent of current revenues, to include in the application rate impacts by customer classification.

(c) The commission may adopt rules it considers reasonable and proper for each class of public utility providing for the nature of the showing required to be made in support of proposed rate changes, the form and manner of the presentation of the showing, with or without a hearing, and the procedure to be followed in the consideration thereof. Rules applicable to common carriers may provide for the publication and filing of any proposed rate change together with a written showing in support thereof, giving notice of the filing and showing in support thereof to the public, granting an opportunity for protests thereto, and to the consideration of, and action on, the showing and any protests filed thereto by the commission, with or without hearing. [ . . . ]

(d) The commission shall permit individual public utility customers and subscribers affected by a proposed rate change, and organizations formed to represent their interests, to testify at any hearing on the proposed rate change, [ . . . ]

To enhance understanding, the Commission traditionally requires utilities to translate rate increases into bill impacts,<sup>17</sup> explaining “[t]his somewhat theoretical construct becomes very real when the Commission fulfills its responsibility and **quantifies** this balanced outcome in its decisions in general rate cases”<sup>18</sup> (emphasis added). In D.20-07-032, the Commission began implementation of the affordability framework to further advance the Commission’s analysis and understanding of the affordability of essential levels of energy, water, and communications services.<sup>19</sup> In this second phase of the proceeding continuing implementation, the Commission continues to exercise its authority over “the form and manner of the presentation of the showing”<sup>20</sup> to

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<sup>17</sup> D.20-01-002, Ordering Paragraph (OP) 6, and D.07-05-062.

<sup>18</sup> D.20-01-002 at 11.

<sup>19</sup> D.20-07-032 CoL 2.

<sup>20</sup> Pub. Util. Code Section 454(c).

improve the quality of the information available to stakeholders throughout the process. The metrics translate the bill impacts into statements about the affected public as follows:

- A middle-resourced household living here [*insert nearest town or neighborhood*]<sup>21</sup> spends [*insert AR50*] % of their available budget on an essential amount of utility service;
- A lower-resourced<sup>22</sup> household living here [*insert nearest town or neighborhood*] spends [*insert AR20*] % of their available budget on an essential amount of utility service; and
- A household earning minimum wage living here [*insert nearest town or neighborhood*] works [*insert HM*] # of hours per month to pay for an essential amount of utility service.

### **3. Issues Before the Commission**

The issues within the scope of Phase 2 are a mix of technical refinements and integration of the affordability framework, with interpretation, into Commission practice.

The following issues, set forth in the June 9, 2020 Second Amended Scoping Memo and Ruling, are characterized as technical refinements:

- How to forecast variables used to calculate the affordability metrics;
- How to set proxy values for essential utility service cost data that are unavailable;
- How to refine methodologies for calculating the affordability metrics;

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<sup>21</sup> See Section 4.1.5. *Outputs: Geographic Levels*.

<sup>22</sup> Lower-resourced = 20<sup>th</sup> percentile (or bottom one-fifth) of the income distribution for the specified geography.

- Developing and implementing a rate and bill impact tracking tool for Class A Water Utilities for ongoing support of the Commission's work;
- Developing and implementing an energy rate and bill impact tracking tool for ongoing support of the Commission's work;
- How to coordinate ongoing data requests for information related to the affordability metrics;
- How to develop and maintain tools for calculating the affordability metrics;
- How to make the measurements of the affordability metrics publicly available and accessible; and
- How to incorporate any approved essential usage study from Application (A.) 19-11-019.

The following issues, set forth in the June 9, 2020 Second Amended Scoping Memo and Ruling, are characterized as integrating the affordability framework into Commission practice, including interpreting the metrics:

- How to implement the affordability metrics and methodologies adopted by the Commission in this proceeding;
- Determining the appropriate procedural pathways for implementation of the affordability metrics generally (*i.e.*, how broadly and in which proceedings to incorporate the metrics as well as the process used to publish information);
- How to design and publish an annual Affordability Report; and
- Determining interactions between the affordability metrics and the rate and bill tracker tool under development by the Commission's Energy Division.

### 3.1. Implementation Staff Proposal

Commission staff offered solutions to the scoped issues in the Implementation Staff Proposal. Most of the recommended technical refinements are contained in Section 2 of the Implementation Staff Proposal, and most of the recommendations on integrating the affordability framework into Commission practice are found in Sections 3-4.<sup>23</sup>

With regard to technical refinements, the Implementation Staff Proposal recommended:

1. Release an Excel-based Affordability Ratio Calculator (AR Calculator), refreshed annually with the most recent historical year for which data is available as the “base analysis year.”<sup>24</sup> The AR Calculator shall contain:
  - (i) Essential usage/service bills for each industry based on data collected by staff from essential usage providers. The essential usage/service bill value in the AR Calculator may be changed by stakeholders;
  - (ii) Estimate number of houses for each census tract from the U.S. Census Bureau;
  - (iii) Income and housing costs for 20<sup>th</sup> and 50<sup>th</sup> percentiles within each Public Use Microdata Area (PUMA) from the U.S. Census Bureau;
  - (iv) Weighting factors used to derive weighted averages in order to translate among geographic units;
  - (v) Omit water costs in areas not served by water systems;<sup>25</sup> and

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<sup>23</sup> As noted in the Implementation Staff Proposal at 8 (footnote 8), the Phase 2 scoped issue of incorporating the essential usage study is not addressed as the essential usage study is still in process.

<sup>24</sup> Implementation Staff Proposal at 12-13.

<sup>25</sup> Implementation Staff Proposal at 39-40, Attachment B.

- (vi) Forecast factors for the Affordability Ratio based on the California Department of Finance's regional economic forecasts. The factors in the AR Calculator may be changed by stakeholders.
2. To assist stakeholders, the AR Calculator permits stakeholders to generate the following outputs automatically based on the default values in the AR Calculator or any user-defined value(s) of essential usage/service bills or forecast factors:<sup>26</sup>
- (i) AR20 and AR50 values for base analysis year summarized at industry-specific geographic levels:
    - (1) Electric service area subdivided by climate zone, further subdivided by PUMA;
    - (2) Gas service area subdivided by climate zone, further subdivided by PUMA;
    - (3) Water service area subdivided by water service ratemaking area; and
    - (4) Communications services by PUMA, and subdivided by unique combinations of communications service provider(s) areas offering the lowest price for the essential service.
  - (ii) AR20 and AR50 values for the base analysis year:
    - (1) by industry-specific geographic level, at the census tract level;
    - (2) by four industries bundled together, at the census tract level; and
    - (3) for each unique combination of providers, within each census tract.

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<sup>26</sup> Implementation Staff Proposal at 12-13.

3. Forecast of Metrics:
  - (i) Commission staff-sponsored forecast of Affordability Ratio for seven years, with inclusion of default forecast factors in the AR Calculator;<sup>27</sup>
  - (ii) Forecast of minimum wage values delegated to stakeholders;<sup>28</sup> and
  - (iii) No forecast of SEVI (or CalEnviroScreen) scores.
4. Class A water utilities submit a Water Tracker with their next General Rate Case (GRC) and update the Water Tracker with each rate change thereafter.<sup>29</sup>

With regard to integrating the affordability framework into Commission practice, the Implementation Staff Proposal recommended:

5. Utilize two new groupings of vulnerable customers: Areas of Affordability Concern (AAC) (communities with the highest AR20 scores for each industry or PUMA) and DACs based on the SEVI (25 percent of census tracts scoring most vulnerable).<sup>30</sup>
6. Further the goals of the Commission's Environmental and Social Justice (ESJ) Action Plan by applying the affordability framework to target ESJ communities with the highest affordability concerns.<sup>31</sup>
7. In energy GRCs Phase 1 and Phase 2, and additionally in non-GRC ratesetting applications in which the rate classification disclosure applies<sup>32</sup> (*i.e.*, a proposed revenue requirement increase exceeds one percent), energy utilities

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<sup>27</sup> Implementation Staff Proposal at 10-12.

<sup>28</sup> Implementation Staff Proposal at 13-14.

<sup>29</sup> Implementation Staff Proposal at 39, Attachment D.

<sup>30</sup> Implementation Staff Proposal at 15-18, Appendix A.

<sup>31</sup> Implementation Staff Proposal at 21-24, Appendix C.

<sup>32</sup> Rule 3.2(a)(3) governs whether utilities filing applications must disclose rate impacts by customer class.



- should present affordability analysis reporting requirements in applications and testimony.<sup>33</sup>
- (i) Introduce Affordability Ratios associated with current and proposed rates in single proceedings without reference to pending requests in other open proceedings;<sup>34</sup> and
  - (ii) Utilities have discretion to use Trackers or internal models to generate and introduce essential and full usage bills associated with current and proposed rates, except internal modeling should be used by the large energy utilities for GRCs with multiple cost recovery years and Energy Resource Recovery Account proceedings and by the Small and Multi-Jurisdictional Utilities (SMJUs).<sup>35</sup>
8. In Phase 3 of this proceeding, evaluate how the metrics can be used to assess the effectiveness of proposals to make energy<sup>36</sup> rates more affordable.<sup>37</sup>
  9. In water GRCs, acquisition or consolidation applications, and other formal or informal (Advice Letter (AL)) filings with a proposed revenue increase greater than one percent, Class A water utilities submit affordability calculations and formal proceedings include additional affordability analysis and discussion of the metrics.<sup>38</sup>
  10. In water and energy proceedings, metrics included in initial applications or filings be updated in advance of a

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<sup>33</sup> Implementation Staff Proposal at 26-31.

<sup>34</sup> Implementation Staff Proposal at 28-29.

<sup>35</sup> Implementation Staff Proposal at 28.

<sup>36</sup> At the time the Implementation Staff Proposal was released, Phase 3 was preliminarily scoped to address electric rates and therefore the Implementation Staff Proposal referenced electric rates, not energy rates. On January 18, 2022, the Fifth Amended Scoping Memo was released updating the scope of Phase 3 to include electric and gas rates. Accordingly, this decision updates the Implementation Staff Proposal to reflect the most recent scope of Phase 3.

<sup>37</sup> Staff Proposal at 36-37.

<sup>38</sup> Implementation Staff Proposal at 37-39.

Proposed Decision, draft Resolution, or proposed Settlement Agreement to reflect the proposed final authorized revenue.<sup>39</sup>

11. In energy and communications proceedings, utilize the metrics and affordability framework in proceedings allocating public funds for certain programs, and in particular distributing funds through the broadband initiative and based on the model of the energy low-income assistance program proceeding.<sup>40</sup>
12. In communications proceedings considering the communications public purpose programs, apply the metrics to measure effectiveness of the programs.<sup>41</sup>

As noted above, parties were invited to submit comments and reply comments on those recommendations.

#### **4. Technical Refinements**

In response to party comments and discussions at the workshops in November 2021 and December 2021, the following changes to the technical recommendations in the Implementation Staff Proposal are made:

- The adopted Water Tracker is a hybrid version of the version proposed in the Implementation Staff Proposal and the California Water Service Company (Cal Water) alternate version;
- Submission of the Water Tracker is reduced to quarterly and generally conforms to practices followed for the Energy Tracker;
- An itemized list and tally of all revenues pending incorporation into current rates, whether approved or requested, and recently implemented revenues, is required

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<sup>39</sup> Implementation Staff Proposal at 31-32, 38.

<sup>40</sup> Implementation Staff Proposal at 32-36, 40-42.

<sup>41</sup> Implementation Staff Proposal at 6, 40.

to be made public quarterly concurrent with submission of the Energy and Water Trackers; and

- To score and rank census tracts for the third metric, rely on the most recent version of the CalEnviroScreen tool<sup>42</sup> and CalEPA's definition of DACs instead of the SEVI, which is an extract of the CalEnviroScreen tool.

Other technical refinements suggested by parties are not ordered today. Rather, this decision solicits additional feedback after parties have hands-on experiences with the tools and methodologies. Furthermore, the versatility and functionality of the affordability tools<sup>43</sup> as refined today allows stakeholders to adapt and generate alternatives that they deem relevant.

#### **4.1. Affordability Ratio Calculator**

Staff released an AR Calculator in November 2021 containing the data and calculations underlying the 2019 Affordability Report. In the future, staff proposes releasing the AR Calculator in conjunction with the annual Affordability Report. The AR Calculator allows for the calculation of the Affordability Ratio associated with an essential usage/service bill. The AR Calculator also generates forecasts of the Affordability Ratio associated with

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<sup>42</sup> CalEnviroScreen 4.0 is the most recent version as of the issuance of this decision.

<sup>43</sup> Affordability tools refers to the AR Calculator, the maps and the tables available on the Commission's webpage, as well as the Trackers and corresponding itemized list and tally of revenues.

a hypothetical essential usage/service bill for seven years.<sup>44</sup> The values of the essential usage/service bills and forecast factors are customizable by the user.<sup>45</sup>

Generally, the data to calculate the essential usage/service bill comes from the essential service providers, and the data to calculate the non-utility-specific, resource levels by geographies comes from the U.S. Census Bureau or California Department of Finance. The forecast factors are based on California Department of Finance projections of the Consumer Price Index (CPI) for different regions within the state. CPI is measured at the national level by the U.S. Bureau of Labor Statistics and is described as a “widely used proxy for income growth for the general public.” The Implementation Staff Proposal proposes five California-specific regional variations<sup>46</sup> of the CPI be applied to forecast income for the Affordability Ratio.<sup>47</sup>

The Implementation Staff Proposal identifies one component of the CPI, the shelter component, with the five California-specific regional variations<sup>48</sup> to

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<sup>44</sup> The AR Calculator forecasts for seven years in order to generously account for one rate case cycle beyond the time the AR Calculator is released. For example, for a GRC filed in 2021 with a 2023 test year and three years of attrition, we would need the forecast to go out to 2026. The AR Calculator that was available in 2021 had a base analysis year of 2019 and a seven-year forecast that extended to 2026.

<sup>45</sup> Beyond the annual report including associated data tables and maps and publishing on the Commission website, the Commission staff also provide upon request additional data and files such as shapefiles and large datasets as noted in the 2019 Affordability Report at 13 (footnotes 12 and 13).

<sup>46</sup> The five California regions are grouped by county: (1) San Diego; (2) Riverside and San Bernardino; (3) Los Angeles and Orange; (4) Alameda, Contra Costa, Marin, San Francisco and San Mateo; and (5) all other California counties.

<sup>47</sup> For more detail on the regional variations and variations to apply to middle-resourced households and lower-resourced households, see Implementation Staff Proposal at 11-12.

<sup>48</sup> The five California regions are grouped by county: (1) San Diego; (2) Riverside and San Bernardino; (3) Los Angeles and Orange; (4) Alameda, Contra Costa, Marin, San Francisco and San Mateo; and (5) all other California counties.

forecast changes in housing costs for the Affordability Ratio. The forecast factor for essential usage/service bills is the U.S. average CPI for all urban consumers (CPI-U).

Forecasts of the California-specific regional variations of the CPI are produced only for five years. For the sixth- and seventh-years' income and housing cost estimates, the AR Calculator extrapolates the five-year averages of CPI forecasts for the California-specific regional variations.<sup>49</sup>

Parties generally supported the packaging of inputs to the metrics in the AR Calculator, and recommended additions or adaptations to the AR Calculator. However, San Diego Gas & Electric Company (SDG&E)/Southern California Gas Company (SoCalGas) and small Local Exchange Carriers (Small LECs) argue that errors, problems and lack of vetting in the AR Calculator render it unreliable for assessing affordability. Utility Consumers Action Network (UCAN) argues that omitting disconnection data from the AR Calculator limits its usefulness.<sup>50</sup>

California Water Association (CWA) sees value in the standardized collection and publishing of inputs through the AR Calculator but recommends vetting the outputs.<sup>51</sup> The Utility Reform Network (TURN), Public Advocates Office at the California Public Utilities Commission (Cal Advocates), the Greenlining Institute (Greenlining) and Center for Accessible Technology (CforAT) request minor modifications. TURN requests functionality to create

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<sup>49</sup> "For the years that fall outside the Department of Finance's 5-year forecast period, the CPI and shelter escalator values will be assumed to be equal to the average values for those escalators during the 5-year forecast period." Implementation Staff Proposal at 13.

<sup>50</sup> Some disconnection data are reported by IOUs in Rulemaking 18-07-005 based on zip code boundaries while other disconnection data are reported at the geographic unit of service territory overall.

<sup>51</sup> CWA Opening Comments at 2-3.

and save scenarios side-by-side and Greenlining requests an Affordability Ratio at a lower point than the 20<sup>th</sup> percentile along the income and housing cost distribution, to capture the burden of the most needy households.<sup>52</sup>

Specific recommendations about AR Calculator inputs are discussed in more detail in the subsections below.

#### **4.1.1. Input: Essential Usage/ Service Bills From Providers**

The essential service/usage bill is at the heart of the affordability framework, and generally involves multiplying two variables: a quantity (or service) by a rate. This sounds simpler than it is, because both variables change and the choice of which values to fix and input into the AR Calculator affects the picture of affordability. D.20-07-032 fixed one of the two variables, the essential quantity.<sup>53</sup> The second variable, the rate (and other charges) is fixed only for the annual Affordability Report and the associated AR Calculator. However, rates change on a rolling basis, as the approved revenue to be collected is folded into the rate or the bill depending on Commission determinations.<sup>54</sup>

The method of accounting for the rolling changes to revenue and rates in order to calculate the essential usage/service bill varies.<sup>55</sup> In the AR Calculator

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<sup>52</sup> TURN Opening Comments at 1-2; Greenlining Opening Comments at 2-3.

<sup>53</sup> The 2019 Annual Affordability Report at 16-19 explains the choices made in D.20-07-032 regarding essential service quantities. *See also* D.20-07-032, FoF 11-15. D.20-07-032 fixes the essential quantity of electricity with the caveat that the essential usage study under consideration in PG&E's GRC Phase 2 A.19-11-019 may be used to refine the value in a later phase of this proceeding (D.20-07-032, CoL 17). D.20-07-032 also allows that the quantities fixed in D.20-07-032 for water essential usage and communications essential service may be refined in the future.

<sup>54</sup> For example, the question of time period over which to collect an amount is usually part of the same proceeding deciding whether or not recovery is warranted.

<sup>55</sup> Energy and Water Trackers, described in Section 4.3, are one method used to calculate an energy or water essential usage bill.

associated with the 2019 Affordability Report, the water and energy essential usage bill are calculated based on an average rate of the calendar year, with surcharges included.<sup>56</sup> In the AR Calculator associated with the 2020 Affordability Report, the water essential usage bill is calculated based on December 2020 in order to maintain consistency statewide with water data reporting.<sup>57</sup> The Implementation Staff Proposal identifies an advantage of using the Tracker to generate the water essential usage bill, in turn used to generate the affordability metrics, as “providing greater insight to the source of each line item of the bill. This will allow the CPUC to better track the impacts of its decision-making process on affordability.”<sup>58</sup> The communications essential service bill is calculated based on the price on the last day of the calendar year, and surcharges on the bill are not included.<sup>59</sup>

California Community Choice Association (CalCCA) recommends the Commission require an essential usage bill specific to Medical Baseline customers, and National Diversity Coalition (NDC) recommends against calculating an essential usage bill with the rate available to Electric Vehicle owners, reasoning several variables in the calculation, not just the rate, may

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<sup>56</sup> “Historical annual average” describes the time period underlying the essential usage/service bills refreshed in annual Report. In contrast, the Water and Energy Trackers described in Section 3.1 may produce prospective (either isolated proceedings or cumulative) rate and bill forecasts.

<sup>57</sup> The State Water Resources Control Board’s (State Water Board) Department of Drinking Water collects data from public water systems in its Electronic Annual Report.

<sup>58</sup> Implementation Staff Proposal at 39.

<sup>59</sup> Providers submit rate and bill data to the Commission staff as ordered in D.20-07-032 OP 2. The 2019 Affordability Report at 17-18 describes how Commission staff collect rates of non-regulated water and energy companies.

differ for this subset of customers (*e.g.*, accounting for free versus paid charging, and reduction in gasoline purchases).<sup>60</sup>

The major concern expressed by Pacific Gas and Electric Company (PG&E), SDG&E/SoCalGas and Southern California Edison Company (SCE) with the AR Calculator is the exclusion of the discounted CARE/FERA rate from the AR Calculator. Similarly, California Cable and Telecommunications Association (CCTA) disagrees with the exclusion of subsidized broadband prices from the AR Calculator.<sup>61</sup> TURN disagreed with the recommendation to calculate the metrics based on rates discounted for eligible low-income customers.<sup>62</sup>

This decision allows stakeholders to develop and introduce additional essential usage bills specific to certain populations but does not adopt staff production of these variations. The calculations particular to each specific population are best considered in other proceedings. The NDC reasoning regarding potential usage bills for Electric Vehicle owners applies to other customer subsets as well, as the calculation would need to capture several differences. With regard to representing essential usage bills of CARE/FERA customers, for example, the SDG&E/SoCalGas position that the AR20 and HM rates should be CARE/FERA rates, assume all customers at the 20<sup>th</sup> percentile of their community's income distribution and minimum wage earners are eligible for and enrolled in an assistance program.<sup>63</sup> Similarly, CCTA's recommendation

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<sup>60</sup> CalCCA Opening Comments at 4; NDC Opening Comments at 13.

<sup>61</sup> CCTA Opening Comments at 3-7.

<sup>62</sup> TURN Reply Comments at 6.

<sup>63</sup> SDG&E/SoCalGas Opening Comments at 12-13.



of more outreach efforts about discounts suggests not all eligible customers utilize the discounts.

Indeed, the 2020 Affordability Report examines the correspondence between households at the 20<sup>th</sup> percentile of their community's income distribution and CARE eligibility, and it does not always hold. CCTA asserts that household incomes at the 20<sup>th</sup> percentile are generally lower than the income corresponding to 185 percent of the Federal Poverty Guideline (FPG), and because households are eligible the low-income discount should be incorporated.<sup>64</sup> Yet CCTA reference to three different eligibility standards for households to access subsidized broadband: 135 percent, 185 percent, and 200 percent of FPG,<sup>65</sup> highlights a compelling reason for the default broadband price to remain the unqualified price, available to all customers: broadband subsidies have changing eligibility standards and access to discounted rates are not a given.<sup>66</sup>

The AR Calculator validity is not compromised by omission of discounted rates available to subsets of customers. Variations in rates, with consideration of adjustments to other variables in the calculation as necessary, may occur in specific program proceedings. The specific program proceedings, rather than the annual Commission-sponsored updates to the metrics, are the appropriate venue because they allow stakeholders to examine the value and structure of various discounts as necessary.

As expressed in D.20-07-32, the metrics must primarily represent the default rates and bills for the broadest base of customers, the same groups for

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<sup>64</sup> CCTA Opening Comments at 6.

<sup>65</sup> CCTA Opening Comments at 6, 8.

<sup>66</sup> CCTA Opening Comments at 8-10.

which rates are designed.<sup>67</sup> The current inputs satisfy this direction.

Additionally, the AR Calculator includes a function permitting stakeholders to themselves generate the requested variations, making it possible for stakeholders to change the value of the essential usage/service bill to reflect any subset of customers.

The AR Calculator forecast factor for essential usage/service bills is the CPI-U. Cal Advocates expressed concern that the default factors included in the AR Calculator to forecast essential usage bills are not reflective of historic trends in rate and price increases. The 2019 AR Calculator shows an annual increase in electric essential usage bills of 1.2 percent to 3.4 percent annually, according to Cal Advocates. Cal Advocates compares the forecasted electric essential usage bills to four years of actual electric increases between 2017-2020, which shows annual average increases between 7.2 percent to 8.1 percent.<sup>68</sup>

SDG&E/SoCalGas also challenges the CPI-U as a forecast factor for essential usage bills, referencing the Commission's preference expressed in SDG&E/SoCalGas 2019 GRC D.19-09-051 for IHS/Market Global Insights' utility-specific cost indices.<sup>69</sup> The IHS/Market Global Insight escalation rates are very detailed by cost category (broken down into various labor and non-labor Operations and Maintenance categories, as well as Capital Cost escalation rates). In order to apply the IHS/Market Global Insight factors to escalate the utility rates underlying the calculation of essential energy usage bills, staff would require a detailed breakdown of utility costs for every utility, with this analysis performed annually. This decision, by adopting a two-year assessment period,

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<sup>67</sup> D.20-07-032 at 41-42.

<sup>68</sup> Cal Advocates Opening Comments at 35-36.

<sup>69</sup> SDG&E/SoCalGas Opening Comments at 17.

allows time for the forecast factors for essential usage/service bills to receive additional review.

#### **4.1.2. Input: Water Proxy Values**

By estimating electricity costs for private water wells, staff developed a value for water costs in areas unserved by a public water system. The annual costs are de minimis. Accordingly, staff recommends excluding from the metrics water costs in areas unserved by a public water system.

The only commenter on this topic, the CWA, is in agreement with the staff recommendation. Future updates to the affordability metrics will continue to exclude water proxy values.

#### **4.1.3. Input: Income and Housing Costs From U.S. Census Bureau**

The Commission determined that the calculation of resource level for the Affordability Ratio should be represented by subtracting housing costs, including utility costs, from income. D.20-07-032 considered including other variables in the calculation but ultimately determined these three variables most parsimonious. Some parties, however, continue to recommend more variables for the calculation. In particular, TURN argues that taxes should be added to represent households at the middle resource level, and UCAN recommends sewer and wastewater charges be included in utility costs.<sup>70</sup> There is no indication that sewer and wastewater charges are a significant factor worth including. Taxes are likely more significant, particularly for median income households with state and federal income tax liabilities. While taxes are not currently included in the calculation of the Affordability Ratio or HM, they will likely play a more significant role when considering some of the energy rate

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<sup>70</sup> TURN Opening Comments at 5; UCAN Opening Comments at 6.

mitigation proposals that have been discussed in Phase 3 of this proceeding. Specifically, the proposals that may shift funding of programs from ratepayers to taxpayers may need to explicitly account for household tax liabilities in order to fully characterize the affordability impacts of those proposals. The question of how to best include taxes in non-discretionary expenses may be considered in Phase 3 of this proceeding.

#### **4.1.4. Data Not Included: Minimum Wage**

While the AR Calculator does not calculate the second metric, HM, it provides one of the two variables necessary to calculate the HM: essential usage/service bill. The calculation requires division of an essential usage/service bill by the second variable: minimum wage, which is a static variable, with a statewide default and a few municipalities choosing their own minimum wage.<sup>71</sup>

The Commission staff will continue to annually produce and publish the HM, but will not forecast changes to the minimum wage. Stakeholders may update or forecast the minimum wage, or generate the HM for differing levels of usage or rates at their discretion.

#### **4.1.5. Outputs: Geographic Levels**

The AR Calculator generates metrics at multiple geographic levels. To reflect as much variation of living in California as possible, the metrics are calculated for California's population divided up in a couple of different ways. Primarily, California's population of approximately 40 million people is divided into 265 standard size communities of around 150,000 people each, technically

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<sup>71</sup> See 2019 Affordability Report at 20.

defined as PUMAs.<sup>72</sup> These groupings don't line up with the types of local markers one references in daily life – neighborhood, town, roads, or zip codes – no more than an area served by a utility or broadband provider does. To account for the boundary mismatches, and translate them across communities, the calculations break the underlying data down further to the census tract level, then rebuild the results for different-sized communities of non-standard units but unique to each industry:

- Electric service area subdivided by climate zone, further subdivided by PUMA (698 communities in 2020);
- Gas service area subdivided by climate zone, further subdivided by PUMA (474 communities in 2020);
- Water service area subdivided by water service ratemaking area (1,954 communities in 2020); and
- For communications services, at least at the PUMA level, and subdivided by communications service provider(s) areas offering the lowest price for the essential service (2,721 communities in 2020).<sup>73</sup>

PG&E recommends, and TURN agrees, that metrics be produced for communities defined at city and county levels, because the foundational geographic unit of the metrics, the census tract, is not used in the design and delivery of customer assistance programs. Alignment of metrics with familiar geographic units such as city, county, and even zip code boundaries have value. However, in order to strike a balance between maintaining and updating the metrics efficiently and the effort required to generate so many variations, this

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<sup>72</sup> California is divided into 265 PUMAs containing 148,000 people each, on average. With one exception, all PUMAs contain at least 100,000 people and the maximum is 243,355: PUMA 5904 – Orange County (Central) – Irvine City (Central).

<sup>73</sup> Implementation Staff Proposal at 13.

decision preserves Commission effort for the existing outputs. The AR Calculator as presented is consistent with D.20-07-032, and the versatility of the tool permits stakeholders to generate supplemental variations of metrics.<sup>74</sup>

The Small LECs assert the methods of weighting data to translate data from one geographic unit to an overlapping but differing geographic unit create large margins of error particularly for rural geographies.<sup>75</sup> In fact, the sampling error for rural areas and urban areas in the Public Use Microdata Sample dataset is not different; the PUMA boundaries are selected such that roughly the same number of people live in each PUMA and the sample sizes are similar within each PUMA.

#### **4.1.6. Outputs: Resource Levels**

Greenlining and SDG&E/SoCalGas assert the AR does not represent households at appropriate resource levels. SDG&E/SoCalGas requests an assessment of median income impacts, arguing this intention is stated in D.20-07-032 “to consider household-scale impacts and affordability concerns for a given geographic area as a whole.”<sup>76</sup> SDG&E/SoCalGas accurately characterizes the Commission’s expectation for affordability metrics to represent households broadly but fails to address this exact function of the AR50. Furthermore, the AR Calculator allows for the calculation of the energy burden

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<sup>74</sup> Implementation Staff Proposal at 6. Depending on the technical capability of the user, they may choose different values for any one of the variables in the calculation of the essential usage bill: usage amount, rate, or bill. 2019 Affordability Report interactive maps are found at the bottom of this webpage: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability/2019-annual-affordability-report>.

<sup>75</sup> Small LECs Opening Comment at 5-7.

<sup>76</sup> D.20-07-032 at 10.

preferred by SDG&E/SoCalGas.<sup>77</sup> While this decision does not endorse the energy burden, any stakeholder can make an apples-to-apples comparison of energy burden to AR50 through the AR Calculator. Greenlining also recommends the AR represent additional resource levels, lower than the 20<sup>th</sup> percentile, on the basis that 15.9 percent of Californians earn less than \$25,000 in 2019. Since the AR Calculator displays income levels associated with 20<sup>th</sup> and 50<sup>th</sup> percentile households for each of the 265 PUMAs, any stakeholder may compare these income levels to any absolute income threshold they deem relevant. As the adopted affordability metrics already capture multiple resource levels,<sup>78</sup> this decision defers adding additional representations. The instant decision provides for feedback and interpretation during the two-year assessment period to provide more perspective on whether more resource level representations are merited in the future.

#### **4.2. Replacing SEVI with CalEnviroScreen**

The Implementation Staff Proposal outlined two new definitions of vulnerable communities, one of which was the SocioEconomic Vulnerability Index Disadvantaged Communities (SEVI-DAC). In response to party concerns over the proliferation of definitions of vulnerable communities, this decision finds that replacing the SEVI index with the CalEnviroScreen tool will allow the Commission to leverage a more consistent designation of DAC, minimize complexity and confusion, and serve a similar purpose within the affordability framework.

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<sup>77</sup> The energy burden is comprised of two variables; the median household income, which is embedded in the AR Calculator, and the bill, a value which may be input by the user.

<sup>78</sup> Refer to the explanation in Section 1.1 *Factual Background* above of the various resource levels captured by the adopted metrics.

The difference between CalEnviroScreen and the SEVI can be understood as representing resource levels differently, “. . . because SEVI does not consider factors such as pollution levels, they highlight slightly different communities . . . [displayed in Figure 6 of Implementation Staff Proposal]”<sup>79</sup> A similarity of CalEnviroScreen and the SEVI is that, unlike the Affordability Ratios and HM, they omit utility bill charges from their bundle of indicators capturing resource levels.

PG&E recommended the Commission use CalEnviroScreen 4.0 to update the SEVI metric.<sup>80</sup> Cal Advocates recommended the Commission rely upon the CalEnviroScreen as well as SEVI to designate both DACs and SEVI-DACs, as did Greenlining, stating, “CalEnviroScreen incorporates economic, environmental, and social factors into its score.”<sup>81</sup>

CalEnviroScreen’s inclusion of environmental and health indicators, weighted, is more reflective of the Commission’s emphasis on ESJ Communities, and is consistent with the definitions provided in the Commission’s ESJ Action Plan. As described above, CalEnviroScreen’s division of communities at the census tract level provides the same geographic granularity boost as the SEVI. The final reason to replace SEVI with CalEnviroScreen is to improve familiarity and lessen confusion.

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<sup>79</sup> Implementation Staff Proposal at 19-20.

<sup>80</sup> PG&E Opening Comments at 6.

<sup>81</sup> Cal Advocates Opening Comments at 7; Greenlining Opening Comments at 5.



### **4.3. Forecasting Cumulative Impacts Simultaneously Across Multiple Proceedings**

Parties identify a need to comprehensively analyze the cumulative impact of rate requests and programs, both approved and potential, across proceedings and industries. This need was raised in the first phase of this proceeding.<sup>82</sup> In response, the Commission identified a Tracker under development by the Commission's Energy Division and the large electrical corporations as a method to model forecasted revenue requirements and resulting projected residential rate and bill impacts.<sup>83</sup> As forecasted revenue and projected rates and bills are generally additive to the status quo, the Tracker also presents current rates and bills based on the cumulative, historical rates in effect as of a specified date.<sup>84</sup> The Electric Tracker is the basis for cumulative revenue and rate forecasts and projected bill impacts displayed in the Commission's *2022 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to Public Utilities Code Section 913.1*.<sup>85</sup> D.20-07-032 determined that forecast methodologies required further development.

It does not appear that forecasting capabilities are sufficiently developed at this time to adopt specific forecasting methodologies in this decision. However, this decision finds that it is reasonable to require some form of a forecasting so that the affordability metrics may be used prospectively in

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<sup>82</sup> D.20-07-032 at 62-66.

<sup>83</sup> D.20-07-032, FoF 26.

<sup>84</sup> The current rates in effect and resulting bills must be modeled in the Tracker in order to produce the proposed rates and bills associated with the new revenue request, as the proposed rates and bills are simply one addition to the cumulative current rates effective as of a specified date.

<sup>85</sup> <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/electric-costs/sb-695-reports/2022-sb-695-report-final-w-links.pdf>

Commission proceedings. For example, some forecasting will be required for the affordability metrics to be usefully applied to a ratesetting proceeding setting rates for several years in the future.

Therefore, this decision holds it is reasonable to develop forecasting techniques for the affordability metrics adopted by this decision in a later phase of this proceeding. Parties will have the opportunity to comment on staff proposals for forecasting methodologies at that time.<sup>86</sup>

Forecasting revenue and rate impacts is distinct from the forecast factors included in the AR Calculator, as described in Section 4.1 above. Below, this decision addresses forecasting necessary to capture all revenue requests outstanding.

#### **4.3.1. Energy Tracker<sup>87</sup>**

Since ordered by the Commission, SDG&E, SCE and PG&E have been submitting quarterly electric revenue, rate and bill data in the Tracker and developing the Tracker in conjunction with Energy Division staff, under the guidance of the Energy Division Director.<sup>88</sup> Subsequently, the Commission granted a motion to include in the scope of Phase 2 consideration of the Tracker for ongoing support of the Commission's work and explicitly expanded use of the Tracker for use with energy, not just electric, revenues and rates as well as water. PG&E submitted its first Gas Cost and Rate Tracker (Gas Tracker) in September 2020. SDG&E and SoCalGas anticipate submitting their first Gas Trackers in the third quarter of 2022.

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<sup>86</sup> D.20-07-032 at 77.

<sup>87</sup> “. . . Energy Division changed the name of the tool from Rate and Bill Tracking tool to Cost and Rate Tracking tool.” Implementation Staff Proposal at 27.

<sup>88</sup> D.20-07-031, OP 1.

For certain energy GRCs and other ratesetting applications, the Implementation Staff Proposal characterizes the Energy Tracker as one option, but not the required model, by which the utilities may model the essential usage bills, current and proposed, as the input to the affordability metrics and framework.<sup>89</sup> The Implementation Staff Proposal refers to a recent proceeding<sup>90</sup> in which SCE produced current and proposed bills associated with its revenue request that matched the results produced by the version of the Energy Tracker in effect at the time the application was filed. In its 2023 GRC, PG&E relied on an internal model to produce current and proposed essential usage bills, and resulting affordability metrics, associated with its revenue request. For the SMJUs and proceedings in which cost-recovery occurs in multiple years, the Implementation Staff Proposal recommends utilities use internal models to produce the essential usage bills.

TURN, NDC, Cal Advocates and CforAT object to modeling the essential usage bills and associated affordability metrics for only individual proceedings, without accounting for pending requests in other open proceedings.<sup>91</sup>

In contrast, the Investor-Owned Utilities (IOUs) support affordability metrics associated with proposed new revenue in one proceeding at a time, for the reasons stated in the Implementation Staff Proposal.<sup>92</sup>

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<sup>89</sup> Implementation Staff Proposal at 27 (footnote 38).

<sup>90</sup> Implementation Staff Proposal at 27-29 provides an example of how the affordability metrics can be calculated using SCE's 2021 Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances Application 19-08-013.

<sup>91</sup> NDC Reply Comments at 2; TURN Opening Comments at 4-5; Cal Advocates Opening Comments at 9-10; CforAT Opening Comments at 7-8.

<sup>92</sup> PG&E Opening Comments at 2-3; SDG&E/SoCalGas Opening Comments at 16; SCE Reply Comments at 3.

There will be a considerable learning curve as the IOUs and other stakeholders learn how to use the Affordability Ratio Calculator which should not be compounded with the use of multiple, cumulative [all open] proceedings. The learning curve involves understanding how proceeding amounts and timing, census data, and economic forecasts all come together to produce affordability ratio data. It will be no small feat for other parties to proceedings to understand and engage meaningfully with the IOUs on this data.<sup>93</sup>

IOU concerns over importing assumptions made in one proceeding into different individual proceedings are valid. However, the Commission has a critical interest in ascertaining how the requests in all open proceedings, cumulatively, will affect rates and impact bills. The Commission has mechanisms to keep a running tally of revenues pending incorporation into rates, whether approved or requested,<sup>94</sup> in individual proceedings. Rather than introducing pending requests in individual proceedings, providing a quarterly itemized list of revenues will facilitate awareness of potential rate changes on the horizon. Concurrent with the utility submissions of Trackers to the Commission, the IOUs shall itemize and tally, by proceeding, all revenues approved but not yet implemented, as well as revenue requests pending. Additionally, the IOUs shall also itemize and tally all revenue requirements in current effective rates and implemented during the prior twelve months. Such lists shall correspond to the revenues modeled in the Trackers.

#### **4.3.2. Water Tracker**

This decision modifies the model of Water Tracker proposed in the Implementation Staff Proposal. Along with designating modifications to the

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<sup>93</sup> Implementation Staff Proposal at 28-29.

<sup>94</sup> Pending revenue requests refers to revenue requests that have been filed and for which a decision by the Commission is pending.

Water Tracker, this decision also directs Class A water utilities to follow similar requirements to implement the Water Tracker as that required for electric and gas utilities. Class A water utilities will quarterly submit the Water Tracker to the Commission and continue to develop it, working together with Commission staff under the guidance of the Water Division Director.<sup>95</sup> The Water Tracker adopted in this decision differs from the Energy Tracker in design by including a listing of all pending and anticipated filings, with an option to forecast the revenue associated with the yet-to-be approved filings. This design allows for cumulative forecasts across multiple proceedings, for any proceeding for which a revenue request is provided.

As represented by CWA and Cal Water,<sup>96</sup> the water utilities unanimously support the Cal Water alternate tool. CWA asserts the Cal Water alternate tool does a better job of meeting the state goals of the Commission to “serve as a bridge between evaluating the incremental, piecemeal one-off decisions and programs and a complete assessment of the consolidated processes,” and “all parties and the Commission to evaluate up to several years of revenue, rate and bill impacts based on the total requests by each IOU.”<sup>97</sup> Cal Advocates emphasizes the same goals for the Water Tracker to be cumulative and transparent, but differs by asserting the Cal Water alternate tool is the wrong

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<sup>95</sup> The Water Tracker introduced in the Implementation Staff Proposal was modified and augmented collaboratively through a series of informal and Commission-sponsored workshops. Cal Water developed and introduced an alternate tool at the workshop held December 6, 2021, and after many additional iterations, Commission staff created a hybrid version adopted today.

<sup>96</sup> Cal Water Reply Comments at 2; Cal Water Opening Comments at 10-11.

<sup>97</sup> CWA Reply Comments at 2-3 citing the Fifth Amended Scoping Memo and Ruling dated January 18, 2022, at 5.

means to this end.<sup>98</sup> The Commission's hybrid version of the tracker addresses the flaws identified by Cal Advocates.<sup>99</sup> Specifically, the hybrid version:

- Addressed the Cal Advocates concern over what it terms a "moving baseline," which is the "as-of" effective date to which incremental revenue impacts are compared. As demonstrated by Golden State Water Company, both comparisons are possible and the hybrid version allows for calculation from the last adopted GRC and from the current (also termed base) rates, with a specified date that the current rates are in effect;
- Clearly displays the individual utility filings upon which the basic water rate is calculated, including identifying each utility filing as effective, pending (as described in the section above, pending refers to a revenue amount already approved by the Commission but yet to be incorporated into the "effective rate" displayed in the Tracker), or anticipated;
- Projects 36 months into the future (rather than 12 months); and
- Permits distinct monthly average water use values for Customer Assistance Program (CAP) and non-CAP residential customers.

Regarding the frequency with which Class A water utilities submit the Tracker, parties represent that they came to agreement at the working sessions to follow the practice of the Energy Tracker to submit an updated Water Tracker quarterly to the Commission.<sup>100</sup> The Water Tracker should be implemented in a similar manner to what appears to be working for the Energy Tracker, namely a quarterly update to the Water Division and ongoing collaborative development

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<sup>98</sup> Cal Advocates Opening Comments at 23.

<sup>99</sup> Cal Advocates Opening Comments at 23 and Attachment A.

<sup>100</sup> Cal Advocates Opening Comments at 14; UCAN Opening Comments at 8; CWA Reply Comments at 7.

between Commission staff<sup>101</sup> and water utilities. As discussed in Section 5.2. *Using the Affordability Framework in Certain Proceedings*, the Water Tracker may also be used to calculate the essential and average bills required to be presented and projected in individual water proceedings and Tier 3 AL filings.

The unique design of the Water Tracker, particularly the number of months incorporated for listing pending and anticipated proceedings, facilitates the ability to forecast cumulative revenue, rate and bill impacts and calculate the affordability metrics associated with the forecast. Additionally, as highlighted in the Implementation Staff Proposal, using the Water Tracker as the method to generate essential usage bill, in turn input to calculate affordability metrics, will provide insight into the drivers of changes in affordability.<sup>102</sup>

Rather than submission in quarterly proceedings, as recommended in the Implementation Staff Proposal, this decision requires water utilities to update and submit the Water Tracker quarterly. As represented by CWA, quarterly submission “strikes an appropriate balance between the workload to maintain the tool and informing the Commission about current filings.”<sup>103</sup>

#### **4.3.3. Public Access to Cumulative Revenues**

Unlike the AR Calculator, the Energy Tracker has not been made publicly available. Cal Advocates and CforAT object to limiting access to the Trackers.<sup>104</sup> Cal Advocates states, “Widespread accessibility of the completed Water Rate and

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<sup>101</sup> Commission staff shall include both Water Division staff and Cal Advocates staff, as Cal Advocates has been instrumental in the development of the Water Tracker.

<sup>102</sup> Implementation Staff Proposal at 39.

<sup>103</sup> CWA Opening Comments at 13-14.

<sup>104</sup> Cal Advocates Opening Comments at 13; CforAT Opening Comments at 8-9.

Bill Impact Trackers to parties in this proceeding is necessary to allow the parties to analyze the interaction between the affordability metrics and customer rates over time as well as to test the implementation and use of the trackers in the two-year pilot evaluation period . . .”<sup>105</sup> CWA and other utilities point out that development of the Trackers may be ongoing,<sup>106</sup> for example with regard to examining the correspondence between bill impacts produced in the Trackers and given in the publicly required notices to customers. CforAT states that Rule 10.3 of the Commission’s Rule of Practice and Procedure (Rules) addresses the problem, as it requires utilities to provide to any party upon request supporting documentation, including computer models. The water utilities highlight the confidential aspects of the Trackers and a number of complex and changing assumptions inherent in the forecasted outcomes in the Tracker.

The Trackers serve a function greater than producing a bill impact. The Trackers collect and standardize the individual revenue requests made in individual proceedings, each of which are driven by individual assumptions, with all the complexity inherent in ratemaking. This decision requires utilities to make public all revenues approved but not yet implemented, and pending, quarterly. Such requirement advances the statutory obligation outlined in Pub. Util. Code Section 454(c), for the Commission to make “the form and manner of the presentation of the showing” meaningful to ratepayers.<sup>107</sup>

Requiring an itemized list and tally of all revenue requirements approved but not yet implemented as well as pending requests, overcomes a threat to affordability caused by the fragmented nature of revenue approvals, or as put by

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<sup>105</sup> Cal Advocates Opening Comments at 22.

<sup>106</sup> CWA Reply Comments at 6.

<sup>107</sup> See discussion of Pub. Util. Code Section 454(c) in Section 2 of this decision.



TURN “death by a thousand cuts.”<sup>108</sup> This decision allows water and energy utilities two options by which to accomplish the goal of plainly distinguishing the drivers of rate and bill changes on the horizon. The first option requires water and energy utilities to serve on the service list the entire Tracker, redacted as necessary. Should a utility redact any data, it must file a motion requesting confidential treatment consistent with General Order (GO) 66-D, Rule 11.1, and Rule 11.4 pleading requirements.

Alternatively, water and energy utilities may itemize and tally current revenues in effect and in rates implemented during the prior twelve months, as well as revenues pending incorporation into current rates, whether approved or only requested. The itemized list and total must correspond to revenue requirements in effect and revenue requirement requests included in the Tracker, and include:

1. Total revenue in effect and implemented in the twelve months prior to the revenue in effect as of a specified date, itemized by proceeding and authority for the revenue requirement;<sup>109</sup>
2. By proceeding, revenue approved but not yet included in rates;
3. By proceeding, revenue pending Commission consideration; and
4. For revenue proposed to be collected over more than one year, the amount forecast for collection in each year must be provided.

CforAT is correct that, upon request, utilities are required to provide models along with clear supporting documentation of how the model is used to support testimony. Parties that have an interest and capability in reviewing the

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<sup>108</sup> TURN Opening Comments at 5.

<sup>109</sup> Authority for revenue requirement refers to the Commission decision or resolution authorizing the revenue requirement.

modeling occurring in the Tracker may utilize the existing process that requires utilities to share their modeling and assumptions with other parties.

#### **4.3.3.1. General Order (GO) 66-D Burden**

GO 66-D governs the process for the Commission to consider requests for confidential treatment of information submitted to the CPUC, the Commission's responses to California Public Records Act (CPRA) requests, and the Commission's determination of whether to release information to the public.<sup>110</sup> GO 66-D, Section 3.2 sets forth four requirements that an information submitter must comply with when submitting information that is alleged to be confidential. The four requirements require an information submitter to:

1. Designate each page, field, or any portion of document for which confidentiality is claimed;
2. Specify the basis for the Commission to provide confidential treatment with specific citation to an applicable provision of the CPRA;
3. Provide a declaration in support of the legal authority cited in Section 3.2(d), signed by an employee or agent designated by an officer; and
4. Provide contact information.

GO 66-D, Section 3.4 addresses preemptive determination of confidentiality, and refers to a process when the Commission has adopted a confidential matrix to preemptively designate certain information as confidential or public. The Commission's Decisions Concerning Confidentiality of Electric Procurement Data<sup>111</sup> adopted matrices applicable to certain energy-related data. In the event any cumulative revenue data is already covered in the matrices,

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<sup>110</sup> See D. 17-09-023 at 7.

<sup>111</sup> D.06-06-066, as modified by D.07-05-032; D.06-12-030; D.08-04-023.

utilities shall comply with the process ordered in D.08-04-032 in order to demonstrate the data is applicable.

In all cases, the Commission must comply with the California Constitution's public right of access to government records.<sup>112</sup> California Constitution, Article 3(b)(2) further states that statutes, court rules, and other authority limiting access to information must be broadly construed if they further the people's right of access, and narrowly construed if they limit the right of access. Further, all authorities have a substantive requirement to prove each confidentiality claim remains for all motions in proceedings. Rule 11.1(d) requires all motions to "concisely state the facts and law supporting the motion and the specific relief requested." Taken together with the requirements of the California Constitution, confidentiality claims made must be proven with specificity by the party requesting confidential treatment of information.

Utilities choosing to redact the Tracker must meet their GO-66 D burden and Rule 11.1 and Rule 11.4 pleading requirements. Blanket assertions of confidentiality will not be accepted without factual justification. Any party submitting a motion to file under seal will be expected to substantiate its confidentiality claims with specificity or the motion shall be denied.

#### **4.4. Frequency of Updates to the Metrics**

The orders in this decision will result in metrics being updated more than annually. The Commission will sponsor an annual refresh of data included with the annual Affordability Report. In addition, the requirement for utilities to introduce the metrics associated with applications for new revenue is likely to generate updates between the annual update, as the introduction of metrics in

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<sup>112</sup> See Cal. Const. Art. I, § 3(b)(1).

individual proceedings requires a comparison of bills currently in effect to impact of the new request on bills.<sup>113</sup> TURN recommends the rate data underlying the essential usage/service bill be updated quarterly to capture the rolling nature of changes, while the non-utility specific data remain static.<sup>114</sup>

More frequent Commission-sponsored updates would stretch Commission resources too thin. Between the annual Commission-sponsored updates and the utility updates to metrics in select proceedings ordered in this decision, this decision facilitates a gradual increase in updates to the affordability metrics. Furthermore, as revenue changes impact affordability metrics, this decision's requirement for water and energy utilities to quarterly update cumulative revenue requests will provide additional insight into affordability changes between updates.

## **5. Implementation**

This section describes implementation generally in the annual Affordability Report and new requirements to introduce, update and analyze metrics in certain Commission proceedings. In response to comments, this decision modifies the recommendations in the Implementation Staff Proposal as follows:

- Uses the CalEPA most recent designation of DAC<sup>115</sup> instead of the SEVI-DAC to highlight community-level affordability concerns;

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<sup>113</sup> As described in Section 5.3, utilities have discretion as to the methodology used for calculating the metrics in individual proceedings, so the metrics in individual proceedings may not correspond directly to the Commission-sponsored annual Affordability Report.

<sup>114</sup> TURN Opening Comments at 6.

<sup>115</sup> In May 2022, CalEPA finalized an update to its designation of DACs for the purpose of SB 535, in the following four categories:

- The requirement for Class A water utilities to produce metrics when requesting revenue increases in excess of one percent applies only in applications and Tier 3 (rather than all) ALs;
- The first electric IOU GRC Phase 2 proceeding to begin subsequent to the issuance of this decision, currently scheduled to be SDG&E's 2024 GRC Phase 2, shall introduce the affordability metrics;
- Regarding updating metrics introduced in individual GRC proceedings, instead of requiring energy and water utilities to update metrics in Opening Comments to Proposed Decisions, this decision requires the metrics be updated concurrent with the update of authorized revenue and rates for inclusion in a Proposed Decision, by the entity responsible for calculating the updated metrics;
- A Commission-sponsored forecast of cumulative revenue, rate, and bill impacts and associated affordability metrics will be tested in the 2020 annual Affordability Report; and
- Iterative feedback on implementation will be solicited and considered annually for a two-year assessment period.

### **5.1. Affordability Report**

The Commission's first annual Affordability Report pioneered analysis of the metrics.

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1. Census tracts receiving the highest 25 percent of overall scores in CalEnviroScreen 4.0 (1,984 tracts);
  2. Census tracts lacking overall scores in CalEnviroScreen 4.0 due to data gaps, but receiving the highest five percent of CalEnviroScreen 4.0 cumulative pollution burden scores (19 tracts);
  3. Census tracts identified in the 2017 DAC designation as disadvantaged, regardless of their scores in CalEnviroScreen 4.0 (305 tracts); and
  4. Lands under the control of federally recognized tribes, with an option for tribes to consult with CalEPA as necessary.

Some parties object that interpreting the metrics may lead to unlawful policy changes. SDG&E/SoCalGas question whether a requirement for utility expenditures to be capped at CPI-based rates of increase is lawful.<sup>116</sup> CTIA asserts that measuring affordability conflicts with the federal prohibition on regulating wireless phone rates. Both parties positions are inconsistent with interpretations set out in the 2019 Affordability Report, which provides a relative assessment of affordability of essential utility services.<sup>117</sup> The 2019 Affordability Report notes that 11 percent of California households live in communities where those on the lowest rung of the ladder, resource-wise<sup>118</sup> pay more than 35 percent of their available budget for essential utility services.<sup>119</sup> The 2019 Affordability Report summarized, “The key takeaway is that utility expenses consistently comprise a much smaller portion of household budgets for median income households compared to lower income households, and that there are considerable disparities in ability to pay for utility services among lower income households.”<sup>120</sup>

Cal Advocates recommends the Commission identify the main drivers of rate changes and affordability concerns. Cal Advocates’ recommendation appears to reinforce what has already occurred in the 2019 Affordability Report.

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<sup>116</sup> SDG&E/SoCalGas Opening Comments at 6; CTIA Opening Comments at 3.

<sup>117</sup> See, for example, the maps and interactive tables displaying the (1) Affordability Ratio Deltas and the (2) AR SEVI Analysis of Top 10 and 20 percentile communities. The 2019 Affordability Report was published in April 2021 but uses 2019 data from the Census Bureau and from California utilities.

<sup>117</sup> 20<sup>th</sup> percentile.

<sup>118</sup> 20<sup>th</sup> percentile.

<sup>119</sup> Note the statewide trends include non-CPUC-regulated utility providers (2019 Affordability Report at 22).

<sup>120</sup> 2019 Affordability Report at 27.

For example, for the communications industry, the 2019 Affordability Report attributed communities with the highest Affordability Ratios to having fewer providers to choose among for broadband service. Additionally, for the water industry, the 2019 Affordability Report identified two drivers of water affordability problems: high costs of service spread over communities with very few households, often in rural areas. Even when the households' resources are comparable to the state median resource level, the costs are difficult to absorb. Combining the AR20 and the HM reveals these areas.<sup>121</sup> The second driver is providing water service in low-income communities. These communities tend to be found in urban areas and the Central Valley, and high Affordability Ratios (both AR20 and AR50) combined with high SEVI scores reveal these areas. For these communities, though the essential service charge may be relatively low, they lack the resources to pay for essential services.<sup>122</sup>

#### **5.1.1. Areas of Affordability Concern**

The AACs are pockets of the state where lower-income Californians spend much more of their available budget than the vast majority of Californians on essential utility service.<sup>123</sup> In 2019, AACs are communities where households at the 20<sup>th</sup> percentile of the community's income distribution spend more than 15 percent of their available budget on essential levels of electricity or

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<sup>121</sup> 2019 Affordability Report at 67.

<sup>122</sup> 2019 Affordability Report at 66-67.

<sup>123</sup> The pockets of California where communities spend much more than most Californians can be put in numerical terms. For example, the 2019 Affordability Report shows that eleven percent of Californians are spending more than 35 percent of their available budget for all utility services. This means that they spend "much more" on utilities than the vast majority of Californians.

communications services, or more than 10 percent of their available budget on either essential levels of gas or water service.

CCTA asserts that the demarcations remain unexplained.<sup>124</sup> The Implementation Staff Proposal documents three steps taken to find the pockets in California designated as AACs. First, all communities are ranked by spending of an available budget on essential utility service or services, by the AR20. By visual inspection, the communities significantly outspending most others are grouped separately, with a percentage of spending identified as the “demarcation”. Visual inspection leads to a range of values, so the round number in the range was chosen, following the overall strategy in the affordability framework of balancing precision with ease of use.

Other parties express concern with the AAC. TURN objects to the demarcation as self-referential, which is another way of saying the demarcation is relative, not absolute. TURN, as well as other parties, argue that the Commission should adopt an external demarcation point. They assert that some communities under the current 15 percent cutoff may still face monthly essential communications bills in excess of one hundred dollars, subjectively arguing such an amount is unaffordable.<sup>125</sup> At the other extreme, CCTA, CTIA, and AT&T make a subjective argument that broadband is already affordable by virtue of federal subsidies, or because wireless providers offer all types of pricing plans in a competitive market.<sup>126</sup>

The definition of affordability adopted in D.20-07-032 is relative, not absolute. Designating AACs is similar to designating DACs (or SEVI-DACs):

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<sup>124</sup> CCTA Opening Comments at 12-13.

<sup>125</sup> Cal Advocates Opening Comments at 30-31; TURN Opening Comments at 3.

<sup>126</sup> AT&T Opening Comments at 2; CTIA Opening Comments at 1-2; CCTA at 7.



first California is divided into communities, ranked by resource level, and those above a demarcation (or cutoff point) are designated relative to the rest of the communities. The DACs/SEVI-DACs designate census tracts as *relatively* most vulnerable. The AAC designate communities as *relatively* most unaffordable.

The AAC's cutoff provides a simplistic reference point, drawing attention to areas with outsize affordability problems.<sup>127</sup> Setting demarcations at 15 percent and 10 percent is different than setting an affordability standard or "bright-line rule,"<sup>128</sup> despite the CCTA assertion to the contrary.<sup>129</sup> The demarcations are responsive to changing conditions and subject to change, rather than remain static and unreflective of new data. While changing values mean more complexity and are more difficult to recall, this relative ranking is necessary to provide good guidance.

The IOUs continue to assert the energy burden is preferable to the demarcation for AAC. As stated in D.20-07-032, "the use of energy burden or ADI metrics may be useful in particular contexts even if they are not adopted for use in this proceeding." Representing the household with middle or average incomes doesn't capture those with the greatest affordability problems.<sup>130</sup> The median income in the denominator of the energy burden captures half of all

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<sup>127</sup> Communities where the bottom one-fifth of households spend more than fifteen percent of their available budget on electricity or communications service, or more than 10 percent of their available budget on gas or water service, were outside the norm (in 2019) of California spending on essential utility service.

<sup>128</sup> See CWA Opening Comments at 1-2 reminding the Commission of the pitfalls of applying affordability as a bright-line rule.

<sup>129</sup> CCTA Opening Comments at 12-13.

<sup>130</sup> This section focuses solely on one inferior aspect of the energy burden, which is representing a household at the middle of the income distribution. Additional reasons the Affordability Ratio improve upon the energy burden are listed in Section 1.1. *Factual Background*.

households, while the bills in the numerator reflect average consumption, which conflicts with the determination in D.20-07-032 that essential quantities of service are the amounts most relevant to examining affordability. The analytic method behind the AAC teases out a portion of consumption for which affordability is most critical, within the overall context of utility operations. The method also teases out those within the community whose service may be most at risk, by removing the average from consumption. Since the average is more representative of a minority of households with greater resources, the metrics redirect the focus to half of households (AR50), approximately one-quarter of the population by comprehensive disadvantage status (DAC/SEVI-DAC), or one-fifth of households (AR20) with the least resources, highlighted in the AAC.

#### **5.1.2. DAC Designation In Alignment with CalEPA**

This decision finds that utilizing the CalEPA most recent designation of DACs is preferable to adopting the new SEVI-DAC. Relying on the DACs will streamline the many definitions of vulnerable community in use, better align with Commission programs already employing the DAC designation and is fairly neutral with regard to which census tracts are highlighted by this switch.

The SEVI-DAC described in the Implementation Staff Proposal is based on the method used by the CalEPA in 2017 to designate DACs. Both DACs and SEVI-DACs are identified by dividing California into 8,000 smaller communities (census tracts) and designating approximately one-quarter of the census tracts scoring most vulnerable.<sup>131</sup>

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<sup>131</sup> See Implementation Staff Proposal at 18-20. See also CalEPA Report “Final Designation of Disadvantaged Communities Pursuant to Senate Bill 535,” May 2022, available at: [https://calepa.ca.gov/wp-content/uploads/sites/6/2022/05/Updated-Disadvantaged-Communities-Designation-DAC-May-2022-Eng.a.hp\\_-1.pdf](https://calepa.ca.gov/wp-content/uploads/sites/6/2022/05/Updated-Disadvantaged-Communities-Designation-DAC-May-2022-Eng.a.hp_-1.pdf).

As demonstrated in the 2019 Affordability Report and the Implementation Staff Proposal, layering the SEVI-DAC scores on the larger communities defined by the Affordability Ratios or the HM grades affordability for even smaller communities.<sup>132</sup> The Implementation Staff Proposal also shows the visual overlap between DACs and SEVI-DACs,<sup>133</sup> as well as overlaps between ESJ Communities (which are DACs plus additional communities), and AAC.

In Opening Comments, PG&E recommended the Commission update the designation of SEVI-DAC to reflect the CalEnviroScreen 4.0 version, and with updates ongoing “so that comparisons with DAC are consistent and current.”<sup>134</sup> Cal Advocates’ supports its recommendation to employ both designations of DAC and SEVI-DAC by observing the maps comparing the differences result in “very little territorial overlap” of the communities designated.<sup>135</sup> At the time comments were filed on the Implementation Staff Proposal displaying the overlap, CalEPA had yet to finalize the update to the DAC designations, which it did in May 2022. Commission staff compared the overlap of household units consistent with the May 2022 update and the overlap is significant, making the practical implications for communities minimal.<sup>136</sup>

The May 2022 update to DACs adds to top-scoring 25 percent of census tracts those tracts previously scored in the top 25 percent, accounts for tracts missing data, and is inclusive of federal tribes with an option for all tribes to be

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<sup>132</sup> “. . . these metrics . . . quantify the affordability of utility services at a geographically granular level so that it is possible to identify where utility affordability concerns are most serious in California.” 2019 Affordability Report, Executive Summary.

<sup>133</sup> Figure 7 in Implementation Staff Proposal at 20.

<sup>134</sup> PG&E Opening Comments at 6-7.

<sup>135</sup> Cal Advocates Opening Comments at 7.

<sup>136</sup> See visual (map) and numerical comparison of overlap in Appendix D to this decision.

evaluated for inclusion. It is more reflective of the Commission's emphasis on ESJ Communities, and is consistent with the definitions provided in the Commission's ESJ Action Plan. For these reasons, this decision utilizes the existing DAC designation as updated by CalEPA rather than adopting a new definition.<sup>137</sup>

### **5.1.3. Forecasting Cumulative Impacts in the Affordability Report**

In comments, Cal Advocates, TURN, NDC and CforAT recommend the affordability metrics be calculated for annual cumulative effects of multiple filings, including all pending rate requests and open proceedings.<sup>138</sup> In contrast, SCE and PG&E argue that such a requirement would add undue complexity and administrative burden, and would risk review of cost-of-service rate proposals being improperly influenced by metrics that are not specific to the underlying proposal being examined.<sup>139</sup> If the Commission were to pursue an evaluation of the affordability metrics on a cumulative basis, PG&E, as well as SDG&E/SoCalGas, recommend that the cumulative rate impacts could be included in the annual Affordability Report.<sup>140</sup>

Cal Advocates, TURN, NDC and CforAT are correct that calculating the affordability metrics on a cumulative, forward-looking basis across proceedings would provide a useful and holistic view into incremental rate impacts being

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<sup>137</sup> At the time of issuance of this decision, the Commission has not made a uniform response to the May 2022 CalEPA update to the designation of DACs pursuant to SB 535. In the event the Commission makes a uniform response in the future that differs from this determination it shall be noted.

<sup>138</sup> Cal Advocates Opening Comments at 21-25; TURN Opening Comments at 4-5; NDC Opening Comments at 8; CforAT Opening Comments at 14-16.

<sup>139</sup> SCE Reply Comments at 3-5; PG&E Reply Comments at 1-4.

<sup>140</sup> PG&E Reply Comments at 3-4; SDG&E/SoCalGas Reply Comments at 4-5.

considered across Commission proceedings, without which it would be difficult for stakeholders and the Commission to make meaningful structural movement towards addressing the affordability of utility services in California. Further, including this proceeding-wide calculation as part of the annual Affordability Report would address many of the concerns raised by the IOUs, while still enabling intervenors to reference findings from prior Affordability Reports as part of individual proceedings.

The Implementation Staff Proposal notes that “there will be a considerable learning curve as the IOUs and other stakeholders learn how to use the AR Calculator which should not be compounded with use of multiple, cumulative proceedings.”<sup>141</sup> There will be a learning curve to using the affordability metrics and the tools adopted in this decision, and this decision further acknowledges that the calculation of cumulative rate impacts across proceedings requires access to cost and rate data that is just now in the process of being collected. Therefore, this decision authorizes Commission staff to begin the process of incorporating into future annual Affordability Reports the forecast changes in the cumulative impact of multiple pending proceedings, beginning with the electric sector, with the hope that some initial cumulative impact results will be made available prior to the next round of party feedback on the implementation of the affordability metrics, as established by this decision.

## **5.2. Using the Affordability Framework In Certain Proceedings**

In D.20-07-032, the Commission concluded that ratesetting proceedings generally should incorporate the adopted affordability metrics even while

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<sup>141</sup> Implementation Staff Proposal at 28.

development and refinement was ongoing.<sup>142</sup> The Implementation Staff Proposal identified select energy, water and communications proceedings for initial implementation of the affordability framework. This decision confirms the adopted affordability metrics may be introduced in the proceedings identified in the Implementation Staff Proposal, with a few modifications.

**5.2.1. Affordability Metrics in Electric and Gas Applications for Revenue Increases of At Least One Percent Over Current System-Level Revenues**

The Implementation Staff Proposal recommends that electric and gas utilities include affordability metrics in applications that seek to increase revenues by at least one percent.<sup>143</sup> Regulated utilities are legally obligated to present revenue and rate impacts by customer classification in applications requesting revenue increases in excess of one percent.<sup>144</sup> The Implementation Staff Proposal introduces affordability impacts as an addition to the existing requirements to present revenue and rate impacts.

For electricity and gas utility applications, the Implementation Staff Proposal would require the utilities to include the current and proposed AR50, AR20, and HM at the climate zone level. The Implementation Staff Proposal would also require the utilities to present the current and proposed essential usage bills as well as bills associated with average customer usage. The Implementation Staff Proposal would require metrics only at the climate zone level unless the AR20 for a climate zone is above the affordability demarcation in

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<sup>142</sup> D.20-07-032 at 63, CoL 29-30.

<sup>143</sup> The one percent threshold is to be applied system-level and individually by fuel gas or electric revenues. Implementation Staff Proposal at 26-27, 37.

<sup>144</sup> Rule 3.2(a)(3) and also Rule 3.2(d), referencing Pub. Util. Code Section 454.

the most recent Annual Affordability Report or will be over the affordability demarcation as a result of the revenue request.<sup>145</sup> The metrics for these climate zones would have further breakdowns of the AR20 metric at the geographic scale of Climate Zone divided by PUMA.<sup>146</sup>

SCE and SDG&E/SoCalGas recommend a threshold greater than one percent of system-level revenues as a trigger, while PG&E suggests the Commission permit IOUs to file for an exemption of the threshold should the one percent become too onerous.<sup>147</sup> Similarly, California Association of Small and Multi-Jurisdictional Utilities asserts a one percent revenue threshold is unduly burdensome and request instead a three percent threshold.<sup>148</sup> In contrast, TURN argues the one percent threshold will omit a significant proportion of rate impacting filings, and Cal Advocates, TURN, CforAT and NDC recommend the threshold be applied to revenue increases no matter whether filed informally as ALs or formally as applications.<sup>149</sup> Additionally, CforAT stated that any threshold for consideration of affordability impacts in a context where each individual request is treated separately, and where cumulative impacts are not considered, increases the risk that a utility will

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<sup>145</sup> Demarcations as defined in the Implementation Staff Proposal at 15, “. . . the point of inflection in each industry’s AR20 distribution of values across the state, based on the observed data in the . . . Annual Affordability report.” To further apply the affordability demarcations, the Implementation Staff Proposal at 17 introduces the concept of AAC, which are defined as “the geographical areas with AR20 scores greater than the affordability demarcations.”

<sup>146</sup> Implementation Staff Proposal at 26-27.

<sup>147</sup> PG&E Opening Comments at 14; SCE Opening Comments at 6; SDG&E/SoCalGas Opening Comments at 12-14.

<sup>148</sup> CASMU Opening Comments at 4-5.

<sup>149</sup> Cal Advocates Opening Comments at 21-25; TURN Opening Comments at 4-5; NDC Opening Comments at 8; CforAT Opening Comments at 14-16.

strategize to file multiple, smaller requests for increased revenue to avoid triggering review.<sup>150</sup>

This decision retains the one percent threshold as it is consistent with Rule 3.2(a)(3). CforAT's concern that utilities may circumvent the threshold is speculative.

The small electric and gas utilities are similar in size to some of the Class A water utilities. Other than recalculating their essential usage bills, which is central to their operations, SMJUs may leverage the Commission's annual refresh of data to meet this requirement. However, comments during the feedback cycle will further inform the Commission on the one percent threshold for SMJUs discussed in Section 5.3 below.

#### **5.2.2. Other Energy Proceedings That Do Not Trigger the One Percent Revenue Threshold**

Consumer advocates also favored introducing the metrics in additional ratesetting proceedings that do not increase revenue on a system-level basis and therefore would not trigger the one percent threshold. These proceedings may, however, shift cost recovery of revenue among rate classes and therefore impact affordability by rate class. PG&E disagreed, asserting revenue allocation proceedings are zero sum games between customer classes, and these metrics would only present affordability for residential customers.

Revenue allocation choices are likely to have affordability impacts by customer class, and the application of metrics in a limited number of revenue allocation proceedings is appropriate. SDG&E is the only electric IOU with a GRC Phase 2 proceeding scheduled during the next two years, therefore this

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<sup>150</sup> CforAT Reply Comments at 16.



decision establishes the next GRC Phase 2 proceeding, at this point scheduled to be SDG&E's 2024 Phase 2, for testing the implementation of the affordability metrics in rate design and revenue allocation.

**5.2.3. Affordability Metrics in Water Applications for Revenue Increases of At Least One Percent Over Current System-level Revenues**

The Implementation Staff Proposal initially contemplated water GRC applications and applications for acquisitions or consolidation of water systems with no threshold for these types of applications. The Implementation Staff Proposal recommended a one percent revenue threshold to trigger introduction of the affordability metrics for all other Class A water utility filings, whether formal or AL. Cal Advocates, CforAT, and NDC support applying the threshold to advice letter filings, but CWA and Cal Water argue introducing metrics with all advice letter filings will be onerous.<sup>151</sup> This decision requires Class A water utilities to introduce the affordability metrics only when applications and Tier 3 Advice letter filings exceed the one percent of system-level revenue threshold. During the assessment period, parties can demonstrate whether additional filings should incorporate the affordability framework.

The Implementation Staff Proposal specifies the utility affordability presentation include the AR50, AR20, and HM at the ratemaking level, and each metric at the present year and all proposed future years.<sup>152</sup> For water, the Implementation Staff Proposal suggests the utility interpret as well as introduce the metrics, recommending discussion of a comparison of AR20 and AR50 to

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<sup>151</sup> Cal Advocates Opening Comments at 30-35; NDC Opening Comments at 8; CforAT Opening Comments at 14-16; CWA Opening Comments at 5; Cal Water Opening Comments at 5-6.

<sup>152</sup> Implementation Staff Proposal at 37.

those of similar service territories. UCAN further proposed Class A water utilities compare to the nearest municipal water provider, which is opposed by CWA.<sup>153</sup> Comparisons to municipal water providers would be unworkable, as rates of water systems other than Commission-regulated systems were captured using the data collected by the State Water Board.<sup>154</sup> This data requires utilities to manually input the rates. Manual data input increases the likelihood of error. In addition, there is no way to compare the closest utility's average usage because the State Water Board does not collect the average usage for each utility, but only defined increments of 6, 9, 12, and 15 hundred cubic feet.

This decision finds that requiring the Class A water utilities to make comparisons and display trends in water affordability is reasonable because the most recent annual Affordability Report will contain the comparative metrics.<sup>155</sup>

#### **5.2.4. Proceedings Allocating Program Funding**

In certain proceedings, the Commission considers prioritizing customers for assistance based on need, or prioritizing funding for investment. The Implementation Staff Proposal selects a few of the Commission proceedings to apply the affordability framework to inform distribution of public funds, whether collected through surcharges on ratepayers or allocated from federal or state budgets and assigned to the Commission to administer and implement. With the exception of communications service providers, other commenters supported the use of affordability metrics to inform program design and target priority communities for assistance.

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<sup>153</sup> UCAN Opening Comments at 7; CWA Reply Comments at 9-10.

<sup>154</sup> State Water Board's Division of Drinking Water's Electronic Annual Report.

<sup>155</sup> Implementation Staff Proposal at 38.

#### **5.2.4.1. Directing Energy Program Resources**

The Implementation Staff Proposal discusses how “community-scale AR20 and SEVI offer an opportunity to further refine low-income target areas to highly energy-burdened areas such as those indicated by high AR20 values and high socioeconomic vulnerability areas”<sup>156</sup> and cites as an example Commission direction in A.19-11-003 to consider affordability metrics in providing Energy Savings Assistance services. The Implementation Staff Proposal identifies additional proceedings where program allocations or benefits may be directed with the help of the affordability metrics, including proceedings considering Transportation Electrification or Building Decarbonization.<sup>157</sup> No party opposed these suggestions, with PG&E, CforAT and NDC registering agreement.

#### **5.2.4.2. Directing Communications Program Resources**

In D.20-07-032, the Commission established a combination of basic residential voice service and 25 megabits per second (Mbps) upload/3 Mbps download broadband service (25/3 broadband service) as essential. The adopted metrics allow the Commission “to measure the ability of the ratepayers, especially those in low-income households, to pay for essential communications services.”<sup>158</sup>

The Implementation Staff Proposal suggests the metrics be introduced to enhance the current focus<sup>159</sup> on affordability in the California Advanced Services

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<sup>156</sup> Implementation Staff Proposal at 34.

<sup>157</sup> Implementation Staff Proposal at 36.

<sup>158</sup> Implementation Staff Proposal at 41.

<sup>159</sup> As identified by many parties, subsidies and discounts are available to qualifying customers to make phone and broadband service affordable. Specifically, the LifeLine public purposes program offers wireless service plans free of charge to qualifying program participants. This

Fund (CASF) public purpose program and under the umbrella of Broadband for All. Pursuant to the recently enacted Senate Bill 156,<sup>160</sup> the Commission is implementing the Federal Funding Account grant program, for which California requires the Commission to allocate \$2 billion by June 30, 2023.<sup>161</sup> With regard to CASF, the metrics may address questions such as:

- If a service provider receives a CASF grant to build broadband infrastructure, can the community that it intends to serve, especially those at the lower end of the resource ladder in their community, afford its 25/3 broadband service?<sup>162</sup>
- How has the existence of CASF projects in this area affected affordability of broadband service over time?

California's Broadband for All Action Plan<sup>163</sup> describes the Commission's role in closing the digital divide and cites affordability as one of five

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comes with 6 gigabytes of data, which is arguably not a substitute for wireline broadband, but it does offer voice and unlimited text. For wireline, the federal Affordable Connectivity Program (ACP) pays up to \$30 per month. AT&T's ACP plan costs users \$0 per month.

<sup>160</sup> SB 156 (Chapter 112, Statutes of 2021), An act to amend Sections 6547.7 and 53167 of, to add Section 26231 to, and to add Chapter 5.8 (commencing with Section 11549.50) to Part 1 of Division 3 of Title 2 of, the Government Code, to add Section 21080.51 to the Public Resources Code, and to amend Section 281, Section 912.2, and 914.7 of, and to add Section 281.2 to, the Public Utilities Code.

<sup>161</sup> Pub. Util. Code Section 281(n)(3).

<sup>162</sup> CASF program rules, revised most recently in D.21-03-006, address affordability in a number of ways. CASF requires applicants to offer affordable prices for service for low-income customers for two years. CASF program rules increase funding by 30 percent of construction costs for CASF grantees building infrastructure where Census Block Group median household incomes are below the CARE income threshold for a family of four, and increase funding by 10 percent of construction costs when price of service for 10/1 broadband is no more than \$15/month for low-income customers. Appendix A of D.21-03-006 at A-6 to A-8, A-17, A-25, and A-49.

<sup>163</sup> The 2020 Broadband Action Plan was prepared in response to Governor Gavin Newsom's California Executive Order N-73-20 by the California Broadband Council comprised of representatives from the Commission, the Governor's Tribal Advisor and Governor's Office of

challenges to be addressed. In particular, the Broadband for All Action Plan aligns with the Commission's adoption of minimum essential broadband service as 25 Mbps/3 Mbps, for the metrics to account for communications provider service areas, and to equate absence of broadband subscribers to absence of broadband availability.<sup>164</sup>

Over half of Californians without broadband at home cannot afford market prices or do not own a computer . . . Affordable broadband programs also do not offer broadband at high speeds . . . Competition, which can drive down prices in an open, lightly regulated market, is more [difficult?] to find for a service with such high capital costs.

On April 21, 2022, the Commission issued D.22-04-055 adopting rules for identifying and prioritizing areas that will receive \$2 billion in grant funding for broadband Internet infrastructure projects, including how to implement the federal condition that the funded projects be affordable.<sup>165</sup>

As emphasized by AT&T, CCTA and CTIA, the Commission generally cannot affect the statutory goals set for communications through setting prices or controlling market entry or exit of communications service providers. No party disagrees or expects the Commission to set rates or regulate communications prices. Instead, TURN, CforAT, Greenlining and Cal Advocates argue the application of the affordability metrics will assist in determining if programs

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Emergency Services, Department of Education, Emerging Technology Fund, Department of Food and Agriculture, State Library, Transportation Agency, General Services, Department of Technology, and State Senate and Assembly.

<sup>164</sup> CASF Annual Reports and "Broadband Adoption Gap Analysis," CPUC, June 2019, available at:

[https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/utilitiesindustries/communications/reports\\_and\\_presentations/cdvideobb/bagapanalysis.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/utilitiesindustries/communications/reports_and_presentations/cdvideobb/bagapanalysis.pdf).

<sup>165</sup> D.22-04-055 at 63.

are achieving their stated purpose. Greenlining recommends the metrics apply in two more of six legislatively mandated public purpose programs:<sup>166</sup>

- California High Cost Fund A; and
- California Teleconnect Fund.

TURN and CforAT recommend the metrics also be applied in proceedings considering:

- California High Cost Fund B;
- Deaf and Disabled Telecommunications Program; and
- California Lifeline.

TURN also recommends the metrics be applied in the Incarcerated Persons Calling proceeding and CforAT recommends application to communications services in proceedings considering disaster relief.

This decision requires that affordability metrics be considered in both the CASF (Rulemaking (R.) 20-08-021) and Broadband for All (R.20-09-001) proceedings. In the CASF proceeding, the affordability metrics may be informative and useful for better identifying borderline or “donut hole” areas that are not considered unserved/underserved but where affordability poses a challenge to accessing available broadband service. In the Broadband for All proceeding, new rules<sup>167</sup> specify how the grant applicants may meet the federal condition that requires that the project be affordable for the community. These new rules allow for variation and updates; the affordability metrics can be an available tool the Commission may employ to assess affordability.<sup>168</sup>

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<sup>166</sup> Greenlining Opening Comments at 6; TURN Opening Comments at 6, 8, 11-15.

<sup>167</sup> The new rules were established in D.22-04-055 for the grant money known as the Federal Funding Account.

<sup>168</sup> D.22-04-055 at 64-65.

As recommended by parties, the metrics may be used in communications proceedings generally for benchmarking and directional insight into the variety of low-income broadband plans offered by grant recipients. For example, Greenlining recommends examining the AR20 values of communities with high and low adoption rates, to provide insight into the impact of affordability on broadband adoption.<sup>169</sup> TURN suggests that the metrics may be incorporated into the ongoing Broadband For All proceeding, as a factor considered in identifying communities that would benefit from middle-mile deployments.<sup>170</sup>

Stakeholders and Commission staff are encouraged to implement, display and interpret the affordability metrics from the most recent annual Affordability Report. The Commission and stakeholders may discretionarily produce variations of the metrics more recent than the annual Affordability Report.

Stakeholders may, but are not required to, also introduce affordability metrics into any proceeding distributing public funds through any of the communications public purpose programs administered by the Commission to analyze the impacts of these programs on affordability.

#### **5.2.5. Updates To Metrics As Proceedings Near Resolution**

The Implementation Staff Proposal recommended metrics be included with the first filings<sup>171</sup> in proceedings affecting revenues, rates and bills. First filings will usually be utility applications and testimony (and for Class A water utilities, Tier 3 ALs), but in Commission proceedings considering prioritizing

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<sup>169</sup> Greenlining Opening Comments at 3-4.

<sup>170</sup> TURN Opening Comments at 11.

<sup>171</sup> First filings are typically applications and testimony but may include opening comments in some cases.

public funds, the first filings could include comments. The Implementation Staff Proposal recognizes that Commission decisions rarely adopt requests as proposed and recommends updates to metrics should the final revenue approved differ by at least one percent from the initial requested amount.<sup>172</sup>

Cal Advocates and the IOUs object to the example in the Implementation Staff Proposal for utilities to update metrics in their Opening Comments on a Proposed Decision, stating due process would be compromised by introducing factual data after the case is submitted.<sup>173</sup> CalCCA objects to provisions that allow for certain utility staff to have advance access to Commission determinations. CWA recommends an update to the metrics in formal proceedings only in the Proposed Decision, when being evaluated for approval by the Commission.<sup>174</sup>

In GRCs, updating the metrics should coincide with updating approved revenue and rate values for consideration in the Proposed Decision. There is no blanket directive establishing the process for updating the Results of Operations model in energy rate cases, however convention is for Commission staff to coordinate with or confirm the model with utility staff. The Water Rate Case Plan requires Water Division to host a technical conference following the submission of a case “to review the ratemaking models used by the parties in the case in order to assist the Presiding Officer in the preparation of tables for the Proposed Decision.”<sup>175</sup>

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<sup>172</sup> Implementation Staff Proposal at 31-32.

<sup>173</sup> Cal Advocates Opening Comments at 10; PG&E Opening Comments at 6; SCE Opening Comments at 3; SDG&E/SoCalGas Opening Comments at 15.

<sup>174</sup> CWA Opening Comments at 7-8.

<sup>175</sup> Water Rate Case Plan, Appendix A to D.07-06-062, at A-12.



In GRCs, this decision piggybacks on these mechanisms, and requires the same entity responsible for generating the Results of Operations for the revenue authorized in the Proposed Decision to also generate affordability metrics. The updated metrics associated with the authorized revenue requirement should accompany these impacts in the same Commission document in which the final rate and bill impacts are displayed. In all other proceedings required by this decision to introduce affordability metrics, updates prior to the issuance of the proposed decision should be discretionary, as there is no standard mechanism on which to form a basis to direct updates during the course of the proceeding.

### **5.3. Ongoing Assessment of Implementation**

As recommended by Cal Advocates and supported by Cal Water,<sup>176</sup> this decision establishes a multi-year period of assessment on the implementation ordered in this decision, further enhancing the validity of the metrics and their use. To facilitate the feedback on the implementation, for the next two years, after each annual Affordability Report is released, this proceeding solicits comments on the prior year's implementation, including implementation in individual proceedings and in the annual Affordability Report. Specifically, parties will be invited to provide comment on

#### *AR Calculator and Calculations*

- Are there technical changes to the metrics or the methodologies that can be made to make them more effective/useful? For example, is the Affordability Ratio at the 20<sup>th</sup> income percentile capturing low-income customers eligible for the CARE/FERA or ESA programs? Eligible for the Affordable Connectivity Program (ACP)? For Lifeline? Is AR20 capturing customers that are low-income

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<sup>176</sup> Cal Advocates Opening Comments at 14; Cal Water Reply Comments at 5.

but do not necessarily qualify for an assistance program such as CARE/FERA, ESA, ACP, or Lifeline?

- Should the AR Calculator add production of metrics at other geographic levels such as city, county, or geographic level, such as zip code?
- Is the administrative burden involved in the production of the metrics worth the extra work, for the utilities? For the Commission?

#### *Forecasting*

- Do nationwide CPI metrics accurately forecast the Affordability Ratio inputs for customers outside the metropolitan statistical areas (MSAs) or is it necessary to develop an alternate approach?<sup>177</sup>
- Are there more regionally based metrics of inflation for regions outside of MSAs?<sup>178</sup>
- Are there weaknesses to the staff method of forecasting income and housing costs for the metrics?<sup>179</sup>
- Has any utility used the Global Insights inflation rates as an alternative to forecast increases in costs/rates/bills?
- As contemplated in this decision, have parties been able to get access to the source data for essential bills in the AR Calculator?
- Are the energy and water trackers good mechanisms to provide a view of current and prospective cumulative revenues from which forecasted rates are derived and from which projected essential usage bills are derived?

#### *Implementation*

- Is affordability testimony being required for the right types of proceedings?

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<sup>177</sup> Cal Advocates Opening Comments at 35.

<sup>178</sup> Cal Advocates Opening Comments at 35.

<sup>179</sup> Cal Advocates Opening Comments at 38.

- What has been gained from any implementation of the metrics in past proceedings or final decisions?
- Is updated affordability testimony being required at the right points in time during a proceeding?
- Is the revenue requirement threshold (more than one percent revenue requirement increase over total system-level revenue requirement in current rates for water and energy proceedings) appropriate?
- Are the demarcations designating AACs set at a useful and relevant level?
- Is analysis of AACs a useful component in affordability testimony?
- Are the annual Affordability Reports a good forum to present the forecast of cumulative revenues for future years?
- Have the metrics been applied to small water utilities or Small LECs?
- Has implementation allowed the Commission to better fulfill its statutory duties expressed in various Public Utilities Code sections, including Section 739(d)(2), Section 382, Section 739.8(a), and Section 871.5?
- Has implementation allowed the Commission to enhance its role in closing the digital divide as expressed in various Public Utilities Code sections, including Section 709, Sections 280-281, Section 275.6, and the Moore Act?

**6. Recommendations of the Implementation Staff  
Proposal Adopted Unless Otherwise Modified**

To ensure clarity of the record, the recommendations of the Implementation Staff Proposal attached as Appendix B are adopted by this decision unless otherwise modified by the findings, conclusions, or orders of this decision.

## **7. Conclusion**

This decision distributes the responsibility of calculating and interpreting the affordability metrics amongst the Commission, regulated utilities, and stakeholders. This decision gives stakeholders, including utilities and communications providers, access to the Commission's off-the-shelf metrics, and also the power to tailor and integrate the metrics with relevant research as they see fit. By streamlining the metrics, scheduling gradual introduction and interpretation of the metrics in select proceedings, and soliciting feedback on implementation in conjunction with the next two annual Affordability Reports, the Commission will have more information with which to fulfill its statutory duties to ensure affordability of essential utility and communications services.

## **8. Comments on Proposed Decision**

The proposed decision of Commissioner Darcie L. Houck in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

## **9. Assignment of Proceeding**

Darcie L. Houck is the assigned Commissioner and Camille Watts-Zagha is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. The AR Calculator makes transparent the inputs to the metrics.
2. Accounting for the individual revenue requests approved recently and pending before the Commission in a transparent and comprehensive manner will enhance public understanding of rate changes.
3. The AR Calculator allows stakeholders to change the values of the essential usage/service bills.

4. The AR Calculator provides a default method to forecast the metrics out for seven years beyond the base analysis year.
5. A Water Tracker is necessary to model forecasted revenue requirements and resulting projected residential rate and bill impacts and to track the rolling impact of new revenues and rate changes.
6. The projected residential rate and bill impacts produced by the Water and Energy Trackers facilitates tracking of costs, rates, and bill impacts and may strengthen the Commission's decision-making abilities.
7. Water and energy utilities model rate and bill impacts associated with pending revenue requests in order to comply with Rule 3.2.
8. Assumptions required to model rate and bill impacts associated with pending revenue requests may be incorporated into the Water and Energy Trackers.
9. The Water and Energy Trackers are a standardized tool to itemize pending revenue requests.
10. The approximation of water costs in areas unserved by public water systems had a de minimis impact on the affordability metrics.
11. The AR Calculator option to define any value for the utility bill gives users the ability to make corrections they deem necessary to the value of essential utility usage/service bills.
12. The AR Calculator option to define any value for the utility bill provides users the ability to generate AR results for average usage or for bills that account for subsidies.
13. The Commission's publishing of the metrics, maps and AR Calculator facilitates stakeholder generation of alternative metrics.

14. The Commission's adoption of affordability metrics and approval of inputs and methodologies underlying the metrics does not preclude stakeholders from generating variations on or alternatives to the adopted metrics and introducing alternative metrics in Commission proceedings.

15. Designating AACs by demarcations of AR20 in excess of 10 percent (for gas and water service) and in excess of 15 percent (for electricity or communications service) improves upon conventional reference points such as acceptable energy burdens, acceptable water burdens, and the FPG.

16. The benefits of replacing SEVI with the most recent version of CalEnviroScreen, at the time of issuance of this decision being CalEnviroScreen 4.0, as the third, non-utility specific affordability metric include reflecting the amplification of environmental and health disadvantages by socioeconomic factors, and facilitating comfort with and use of the metrics.

17. Utilizing the CalEPA's most recent designation of DAC, at the time of issuance of this decision, being the designation made May 2022, will streamline the number of definitions of vulnerable communities in use at the Commission, align with several Commission programs targeting DACs, and reflect the amplification of environmental and health disadvantages by socioeconomic factors.

18. Inviting responses for the questions in Section 5.3 of this decision subsequent to the release of the 2020 and 2021 Affordability Reports will inform and improve implementation of the metrics.

### **Conclusions of Law**

1. The Commission is generally charged with making certain levels of energy, water, and communications service affordable under various sections of

the Public Utilities Code, including Section 739(d)(2), Section 382, Section 739.8(a), and Section 871.5.

2. Pub. Util. Code Section 709, Sections 280-281, Section 275.6, and the Moore Act all demonstrate that the Legislature contemplated a significant role for the Commission in closing the digital divide in California and bringing advanced communications services, including broadband internet access, to all Californians.

3. Pub. Util. Code Section 481 requiring the Commission authorize recovery of reasonable costs necessary to provide safe, reliable utility service presents no conflict with the actions taken in this proceeding.

4. Pub. Util. Code Section 454(c) requires the Commission to determine how best to present to the ratepayers subject to water and energy utility rate changes the impact of proposed and pending rate changes.

5. The Commission should enhance customer understanding of pending rate changes for utility service by regularly requiring water and energy utilities to itemize, by proceeding, new revenues recently approved as well as revenues approved but not yet implemented, and revenues pending Commission consideration, relative to rates in effect.

6. Plainly distinguishing the drivers of rate and bill changes may be fulfilled by one of two options: either by making the Tracker available quarterly, redacted as necessary, or by an itemized list and tally of revenue requests corresponding to revenue requests included in the Tracker, and include:

- a. Total revenue in effect, and implemented in the twelve months prior to the revenue in effect as of a specified date, by proceeding and authority for the revenue requirement;
- b. By proceeding, revenue approved but not yet implemented;
- c. By proceeding, revenue pending Commission consideration; and

d. For revenue proposed to be collected over more than one year, the amount forecast for collection in each year must be provided.

7. GO 66-D, Rule 11.1 and Rule 11.4 govern utility requests for confidential treatment of data.

8. It is reasonable to exclude water proxy values from the affordability metrics.

9. It is reasonable for the Commission to defer adopting new variations of the Affordability Ratio and HM.

10. It is reasonable for the Commission to rely upon stakeholders to introduce metrics reflecting essential usage/service bills of specialized or vulnerable populations in order to account for different quantities of utility usage such as average usage or different values for utility bills such as utility bills that incorporate a subsidy or discount.

11. Distributing responsibility to update and forecast the input of minimum wage in calculating the HM is reasonable to preserve Commission staff effort for the annual production of metrics.

12. The Water Tracker in Appendix C to this decision is reasonable and should be adopted.

13. It is reasonable to replace SEVI with the most recent version of CalEnviroScreen, at the time of issuance of this decision CalEnviroScreen 4.0, as the third affordability metric.

14. It is reasonable to utilize the CalEPA's most recent designation of DAC, at the time of issuance of this decision CalEnviroScreen 4.0, as the third affordability metric.

15. It is reasonable for Commission staff to continue to produce the Affordability Ratios, the HM and the most recent CalEnviroScreen scores



annually and release the metrics and associated products publicly through the Commission's website.

16. The methodologies utilized in the Implementation Staff Proposal to forecast income, housing cost and essential service/usage bills are reasonable and should be adopted.

17. It is reasonable to consider refinement to the implementation of the affordability framework through soliciting responses to the questions in Section 5.3 of this decision and considering comments generally on the use and interpretation of the framework in individual Commission proceedings and in the annual Affordability Reports subsequent to the release of the 2020 Affordability Report and the 2021 Affordability Report.

18. The recommendations of the Staff Proposal in Appendix B are adopted by this decision unless otherwise modified by the findings, conclusions, or orders of this decision.

## **O R D E R**

**IT IS ORDERED** that:

1. The Water Cost and Rate Tracker in Appendix C to this decision is adopted.

2. California Water Service Company, Golden State Water Company, San Jose Water Company, California-American Water Company, San Gabriel Valley Water Company, Suburban Water Systems, Liberty Utilities (Park Water Company and Apple Valley Ranchos Water Company), and Great Oaks Water Company shall each submit quarterly the Water Cost and Rate Tracker (Water Tracker) to the Commission's Water Division and shall work with staff during the next phases of this proceeding with respect to using the Water Tracker for evaluating affordability metrics' inputs and other ongoing support of the

Commission's work. The Director of the Water Division may change the frequency, format, or content of the Water Tracker.

3. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company shall submit quarterly the Gas Cost and Rate Tracker (Gas Tracker) to the Commission's Energy Division and shall work with staff during the next phases of this proceeding with respect to using the Gas Tracker for evaluating affordability metrics' inputs and other ongoing support of the Commission's work. The Director of the Energy Division may change the frequency, format, or content of the Gas Tracker.

4. Concurrent with quarterly submissions of the Trackers to the Commission's Energy and Water Divisions, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Electric Company, Southern California Gas Company, California Water Service Company, Golden State Water Company, San Jose Water Company, California-American Water Company, San Gabriel Valley Water Company, Suburban Water Systems, Liberty Utilities (Park Water Company and Apple Valley Ranchos Water Company), and Great Oaks Water Company shall serve to the service list of this proceeding quarterly either (1) the Tracker; or (2) an itemized list and tally of revenue requests corresponding to revenue requests included in the Tracker, and inclusive of:

- a. Total revenue in effect, and implemented in the twelve months prior to the revenue in effect as of a specified date, by proceeding and authority for the revenue requirement;
- b. By proceeding, revenue approved but not yet implemented in rates;
- c. By proceeding, revenue pending Commission consideration; and
- d. For revenue proposed to be collected over more than one year, the amount forecast for collection in each year.

5. In any initial filing in any proceeding with a revenue increase estimated to exceed one percent of currently authorized revenues systemwide for a single fuel, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, Southern California Gas Company, PacifiCorp, Liberty Utilities (CalPeco Electric) LLC, Southwest Gas Corporation and Bear Valley Electric Company, Inc. shall introduce the Affordability Ratio 20 (AR20), Affordability Ratio 50 (AR50), and Hours-at-Minimum-Wage (HM) associated with revenues in effect at the time of the filing, and shall also include:

- a. Essential usage bills by climate zone;
- b. Average usage bills by climate zone; and
- c. For climate zones with AAC as defined in the most recent annual Affordability Report, AR20 by climate zones subdivided by Public Use Microdata Area and accompanying analysis of the affordability challenges in the AAC.

6. In any initial filing in any proceeding with a revenue increase estimated to exceed one percent of currently authorized revenues systemwide for a single fuel, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, Southern California Gas Company, PacifiCorp, Liberty Utilities (CalPeco Electric) LLC, Southwest Gas Corporation and Bear Valley Electric Company, Inc. shall introduce changes in the Affordability Ratio 20 (AR20), Affordability Ratio 50, and Hours-at-Minimum-Wage associated with the proposed new revenue requested, annually for each year in which new revenues are proposed, and shall also include:

- a. Essential usage bills by climate zone;
- b. Average usage bills by climate zone; and

- c. For climate zones with Areas of Affordability Concern (AAC) as defined in the most recent annual Affordability Report, AR20 by climate zones subdivided by Public Use Microdata Area and accompanying analysis of the affordability challenges in the AAC.

7. San Diego Gas & Electric Company shall introduce the Affordability Ratio 20, Affordability Ratio 50, and Hours-at-Minimum-Wage in its General Rate Case 2024 Phase 2 application.

8. In any initial filing in any proceeding with a revenue increase estimated to exceed one percent of currently approved revenues systemwide, California Water Service Company, Golden State Water Company, San Jose Water Company, California-American Water Company, San Gabriel Valley Water Company, Suburban Water Systems, Liberty Utilities (Park Water Company and Apple Valley Ranchos Water Company), and Great Oaks Water Company shall introduce updated Affordability Ratio 20 (AR20), Affordability Ratio 50 (AR50), and Hours-at-Minimum-Wage (HM) for revenues in effect at the time of the filing, and shall also include:

- a. Essential usage bills by ratemaking area; and
- b. Average usage bills by ratemaking area and resulting AR20, AR50, and HM for average usage bills.

9. In any initial Tier 3 Advice Letter (AL) filing requesting a revenue increase estimated to exceed one percent of currently approved revenues systemwide, California Water Service Company, Golden State Water Company, San Jose Water Company, California-American Water Company, San Gabriel Valley Water Company, Suburban Water Systems, Liberty Utilities (Park Water Company and Apple Valley Ranchos Water Company), and Great Oaks Water Company shall introduce changes in the Affordability Ratio 20 (AR20), Affordability Ratio 50 (AR50), and Hours-at-Minimum-Wage (HM) annually for

each year in which new revenues are proposed, and shall also include changes by:

- a. Essential usage bills by ratemaking area; and
- b. Average usage bills by ratemaking area and resulting AR20, AR50, and HM for average usage bills.

10. In a General Rate Case proceeding with a revenue increase estimated to exceed one percent of currently authorized revenues systemwide, concurrent with any modeling effort necessary to represent bill impacts of an authorized revenue requirement associated with a Proposed Decision, the same entity updating the rates associated with an authorized revenue requirement shall update the affordability metrics for production in the same Commission document that presents the rate impacts.

11. The Commission's Rulemaking 20-09-001 Regarding Broadband Infrastructure Deployment should incorporate the Commission's most recent annual release of affordability metrics for essential communications service by community.

12. The Commission's Rulemaking 20-08-021 distributing funding of the California Advanced Services Fund (CASF) should incorporate the Commission's most recent release of affordability metrics for essential communications service by community and identify Areas of Affordability Concern relative to communities considered for funding through the CASF.

13. Commission proceedings assessing the effectiveness or making changes to the California Lifeline, Deaf and Disabled Telecommunications Program, California High Cost Fund A, California High Cost Fund B, and California Teleconnect Fund may incorporate the affordability framework to assess

progress toward bridging the digital divide as specified in Public Utilities Code Section 709(a).

14. Parties to this proceeding may file responses to the questions in Section 5.3 of this decision and comment generally on the use and interpretation of the affordability framework in individual Commission proceedings and in the annual Affordability Report no later than August 30, 2022.

15. Parties to this proceeding may file responses to the questions in Section 5.3 of this decision and comment generally on the use and interpretation of the affordability framework within Commission proceedings and in the annual Affordability Report, subsequent to the release of the 2021 Affordability Report at a date to be determined by Ruling in this proceeding.

16. Rulemaking 18-07-006 remains open.

This order is effective today.

Dated \_\_\_\_\_, at Los Angeles, California.

# **APPENDIX A**

## Appendix A

### Nomenclature

The Commission's descriptions and terms of the metrics have evolved throughout this proceeding. The terms from prior reports and decisions are listed below. The terms employed in this decision are italicized.

- Essential utility services<sup>180</sup> = Essential utility service charge = essential usage bill = *essential service bill (communications)* or *essential usage bill (energy and water)*
- Utilities and Communications Providers, collectively = *Essential Service Providers*
- Rate and Bill Tracking Tool = Cost and Rate Tracker = Cost and Rate Tracking Tools = Rate and Bill Impact Tracker = *Energy Tracker* or *Water Tracker*
- geographic scale = geographic unit = geographic level = area = *community*
- Disposable income (2019 Affordability Report) = discretionary income (D.20-07-032) = income remaining after paying for housing and essential utility service = *available budget*
- Primarily income, or socioeconomic indicators and demographics affecting the ability to earn income = *resource level*

(END OF APPENDIX A)

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<sup>180</sup> D.20-07-032 COL 11.



# **APPENDIX B**

**Appendix B**

**Implementation Staff Proposal**

<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/affordability-proceeding/r1807006--staff-proposal-on-affordability-metrics-implementation.pdf>

**(END OF APPENDIX B)**

# APPENDIX C

## **Appendix C**

### **Hybrid Water Tracker**

<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/affordability-proceeding/water-cost-and-rate-tracker/water-cost--rate-tracker--june-2022.zip>

**(END OF APPENDIX C)**

# APPENDIX D