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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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R1807006

Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service.

Rulemaking 18-07-006

ASSIGNED COMMISSIONER'S RULING SEEKING ANNUAL FEEDBACK ON THE IMPLEMENTATION OF THE AFFORDABILITY FRAMEWORK

This ruling seeks feedback on the use and implementation of the Commission's adopted affordability framework within Commission proceedings and in the annual Affordability Report.¹ In addition to seeking feedback from parties to this rulemaking, we are also seeking feedback from parties to other proceedings where the affordability metrics have been introduced and analyzed.² Comments shall be filed and served by no later than January 25, 2024 and reply comments shall be filed and served by no later than February 16, 2024.

1. Background

Commission Decision (D.) 22-08-023 implementing the affordability metrics, (Phase 2 Affordability Decision) established a multi-year period of assessment on the implementation of the affordability metrics. The Phase 2 Affordability Decision also established that the Commission would annually

¹ D.22-08-023 at 71 and Ordering Paragraph (OP) 13.

² An Administrative Law Judge's Ruling Noticing Related Proceedings of Comments Sought is being issued in Applications (A.) 21-06-021; A.23-05-012; A.23-05-010; A. 22-05-015 et. al.; A.22-12-008; A.23-01-008; A.22-10-001 et al.; A.22-10-022; A.22-12-009; A.23-06-008; A.22-01-003; A.23-01-001; and A.23-05-004.

update the affordability framework based on the most recent available data from utility bills and from the U.S. Census Bureau on income and housing costs. Then, the Commission showcases this update by releasing what constitutes the affordability framework: affordability metrics, presented and analyzed in an Affordability Report, an Affordability Ratio Calculator containing the formulas and inputs/outputs of the Affordability Ratio for stakeholders to generate their own variations, and a set of maps showing the metrics geographically. The Phase 2 Affordability Decision also directed energy and water utilities to report their total revenues showing past and future changes (quarterly).³ In conjunction with their requests to increase revenue, energy and Class A water utilities are required to produce affordability metrics using the most recent available Affordability Ratio Calculator, to show how collecting more revenue would change affordability.⁴

2. Implementation of the Affordability Metrics

Since the issuance of the Phase 2 Affordability Decision, the affordability metrics have been introduced in the following Commission proceedings:

- A.21-06-021 (Application of Pacific Gas and Electric Company (PG&E) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2023);
- A.23-05-012 (Application of PG&E for Adoption of Electric Revenue Requirements and Rates Associated with its 2024 Energy Resource Recovery Account and Generation Non-

³ D.22-08-023, OP 4. Itemized lists of revenue requirements can be found on the Commission website: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability/quarterly-revenue-request-reports>

⁴ D.22-08-023, OPs 5 through 9. Information on the affordability metrics, how to generate them, and the tools to do so are available at: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability> on the Commission website.

- Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation);
- A.23-05-010 (Southern California Edison Company (SCE) For Authority to Increase Its Authorized Revenues for Electric Service In 2025, Among Other Things, and to Reflect That Increase in Rates);
 - A.22-05-015 et al. (Application of Southern California Gas Company (SoCalGas) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2024);
 - A.22-12-008 (Application of San Diego Gas & Electric Company (SDG&E) for Recovery of Undercollection Recorded in the Tree Trimming Balancing Account);
 - A.23-01-008 (Application of SDG&E for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design);
 - A.22-10-001 et al. (Application of SCE for Approval of Its 2021-2025 Investment Plan for the Electric Program Investment Charge);
 - A.22-10-022 (In the Matter of the Application of Liberty Utilities LLC for Authorization to Recover Costs Recorded in Various Memorandum Accounts);
 - A.22-12-009 (Application of PG&E for Recovery of Recorded Expenditures Related to Wildfire Mitigation, Catastrophic Events, and Other Recorded Costs);
 - A.23-06-008 (Application of PG&E for Recovery of Recorded Expenditures in Memorandum and Balancing Accounts Related to Wildfire and Gas Safety);
 - A.22-01-003 (Application of San Gabriel Valley Water Company for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division, and in its Fontana Water Company division);
 - A.23-01-001 (Application of Suburban Water Systems for Authority to Increase Rates Charged for Water Service in 2026); and

- A.23-05-004 (Joint Application of Liberty Utilities (Park Water) Corp. and Liberty Utilities (Apple Valley Ranchos Water) Corp. for Authority to Establish an Authorized Cost of Capital for 2024 - 2026).

Also, two annual affordability reports/calculators/maps have been produced, with the most recent being the 2021/2022 Affordability Report⁵ (included as Attachment 1 to this ruling).

3. Proposed Water Tracker Changes

On September 13, 2023, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) requested⁶ that the Commission revise the Water Tracker.⁷ Cal Advocates requests the following changes:

1) reinsert the “Input” tab that translates revenue requirement into residential bills and rates; and 2) define “Last Adopted Revenue Requirement” as the revenue requirement from the last adopted General Rate Case (GRC) which would display differences since the Commission’s adoption of revenue in the most recent GRC.

The current version of the Water Tracker captures incremental revenue requirement and bill impacts without direct reference to the adopted amount of revenue in the GRC. Instead, the current version of the Water Tracker starts fresh with the amount of revenue being collected on January 1 from the previous year,

⁵ 2021/2022 Annual Affordability Report can be found on the Commission website: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability/2021-and-2022-annual-affordability-refresh>

⁶ Cal Advocates September 13, 2023 Letter to Commission Executive Director Rachel Peterson is Attachment 2 to this Ruling.

⁷ The Water Tracker is a tool to model forecasted revenue requirements and resulting projected residential rate and bill impacts. As forecasted revenue and projected rates and bills are relative to the status quo, the Water Tracker also presents current rates based on the cumulative, historical rates in effect as of a specified date. See D.22-08-023 at 31-42, OPs 1, 2.

instead of itemizing the differences from the amount adopted in the GRC. (*i.e.* In the year 2023, the Water Tracker captures revenue and bill impacts from January 1, 2022 to 2023 and forecasts future impacts until December 31, 2025. In 2024, the Water Tracker will capture revenue requirements and bill impacts from January 1, 2023 to December 31, 2026.)

The reason for the current iteration was to have a backwards and continuous forward looking Water Tracker. In addition, while creating the Water Tracker and soliciting feedback from parties, multi-district water utilities had concerns that completing the Water Tracker from the Last Adopted Revenue Requirement would be laborious, especially when utility GRCs were adopted as early as 2019. This current version of the Water Tracker is a compromise; it provides the change in revenue requirement from year to year. Tracing the changes from the adopted amount in the GRC requires parties to calculate the changes from previous Water Trackers filed the year(s) before.

We agree that reinserting the “Input” tab will allow the Water Tracker to have greater transparency and the next iteration of the tracker will incorporate this change.⁸ This ruling requests party input on Cal Advocates’ second request to define “Last Adopted Revenue Requirement” as the revenue requirement from the last adopted GRC.

4. Assessing Implementation

Parties to this rulemaking, and parties to other proceedings where the affordability metrics have been introduced and analyzed may comment on the implementation of the affordability framework and metrics, the annual

⁸ OP 2 of D.22-08-023 gives the Director of the Water division authority to change the frequency, format or content of the Water Tracker.

affordability reports, respond to the questions in Section 5.3 of D.22-08-023,⁹ comment on Cal Advocates proposal to define “Last Adopted Revenue Requirement” as the revenue requirement from the last adopted GRC, and comment on the following questions:

1. Does the affordability framework (metrics, maps, calculator, quarterly revenue reports, and annual affordability reports):
 - a. Make utility rates and bills meaningful or useful for the type of decision¹⁰ being made?
 - b. Make utility rates and bills representative for types of customers based on where they live and their costs of living?
 - c. Help describe the choices before the Commission as more or less affordable?
 - d. Advance the Commission’s environmental and social justice goals?
 - e. How have non-utility parties utilized the affordability framework to inform their participation and/or develop their positions? If not at all, is it due to difficulty understanding the affordability tools/metrics, difficulty incorporating the tools/metrics into parties’ positions, or some other reason?
2. With regard to the Water Tracker:
 - a. Should the definition of “Last Adopted Revenue Requirement” mean a utility’s authorized revenue requirement from the adopted GRC or start fresh on January 1 of the year before the year in which the Water Tracker is filed?

⁹ D.22-08-023 at 71-73.

¹⁰ Examples of choices under consideration in the related proceedings: (A.) 21-06-021; A.23-05-012; A.23-05-010; A.22-05-015 et al.; A.22-12-008; A.23-01-008; A.22-10-001 et al.; A.22-10-022; A.22-12-009; A.23-06-008; A.22-01-003; A.23-01-001; A.23-05-004.

- b. Should the Water Tracker provide incremental revenue requirement and bill impacts changes between last adopted GRC and next adopted GRC or continue using a continuous forward-looking tracker?
 - c. If the Water Tracker is changed to capture incremental changes between GRCs, should these changes be implemented post-adoption of each water utility's next GRC revenue requirements, or sooner?
3. Describe with specificity how you have used the annual Affordability Report (any year(s)), including identifying the industry for which it was used.
- a. If at all, how does the Affordability Report provide value beyond the metrics, maps, calculator, and quarterly revenue reports?
 - b. Do the recommendations for how to present affordability metrics in the 2021/2022 Affordability Report¹¹ help distill relevant information?¹²

IT IS RULED THAT:

Parties may file and serve opening comments on the implementation of the affordability framework and metrics, the annual affordability reports, respond to the questions in Section 5.3 of D.22-08-023, comment on Cal Advocates proposal to define "Last Adopted Revenue Requirement" as the revenue requirement from the last adopted GRC, and comment on the questions in Section 4 of this ruling by January 25, 2024 and reply comments by February 16, 2024.

Dated December 13, 2023, at San Francisco, California.

/s/ DARCIE L HOUCK

Darcie L. Houck
Assigned Commissioner

¹¹ The presentation of the affordability metrics in applications is required by OPs 5 and 6 of D.22-08-023.

¹² 2021 and 2022 Annual Affordability Report at 56.

Attachment 1

2021/2022 Annual Affordability Report

Attachment 2

Cal Advocates' September 13, 2023 Letter Regarding Water Tracker