BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service.	Rulemaking 18-07-006 (Filed July 12, 2018)

REPLY COMMENTS OF THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION IN RESPONSE TO THE ADMINISTRATIVE LAW JUDGE'S RULING ADDING WORKSHOP PRESENTATIONS INTO THE RECORD AND INVITING POST-WORKSHOP COMMENTS

CALCCA
ADVANCING LOCAL ENERGY CHOICE

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I. Introduction

Pursuant to the *Administrative Law Judge's Ruling Adding Workshop Presentations into the Record and Inviting Post-Workshop Comments,* issued April 12, 2019 ("ALJ Ruling"), CalCCA submits this reply to opening comments. On May 13, 2019, CalCCA and several parties filed opening comments on the April 12 ruling. On May 10, 2019, the ALJ issued *E-Mail Ruling Granting Extension of Time to File Post-Workshop Reply Comments*, which granted an extension of time until June 4, 2019 to submit replies. Pursuant to the May 10 ruling, these comments are timely filed.

CalCCA addresses the following issues in its reply:

A. Affordability Ratio and percentage-of-income based metrics are preferred over others.
B. Adopted affordability metrics should incorporate both costs and ability to pay.
C. Energy providers can and should leverage available datasets.
D. An improved measure of 'substantial hardship' should be adopted.

CalCCA addresses these topics in more detail below.

II. Discussion

A. Affordability Ratio and percentage-of-income based metrics, with some modifications, are best suited to measure affordability.

As stated in opening comments, CalCCA recommends prioritizing the adoption of three metrics to address issues raised by other parties in their comments: percentage of Area Median Income ("% AMI"), percentage of California Poverty Measure ("% CPM"), and a variation on the Affordability Ratio ("AR") calculation, referred to in opening comments by CalCCA as an "Approximate Affordability Ratio".[1] CalCCA recommends that the Commission adopt % AMI and % CPM in place of percent MHI. CalCCA also recommends adjusting the standard AR calculation to include the California Budget and Policy Center's county-level estimates for essential expenses, developed for its "Making Ends Meet" study, as inputs in the denominator.[2] CalCCA further clarifies its proposal for "Approximate Affordability Ratio" here:

[1] CalCCA Opening Comments on Workshop at p. 8.

[2] See "Basic Needs and Economic Insecurity in California: Definitions and Data." Presented by Sara Kimberlin at Affordability Workshop #1: Defining and Measuring Affordability. January 22, 2019. p. 17-25.

$$AR_{20} = \frac{(Household\ Size)\ x\ (Cost\ of\ Essential\ Utility\ Services\ per\ Capita)}{(County\ 20th\ Percentile\ income - county\ level\ Family\ Budget\ Estimates)}.$$

Many parties noted the shortcomings of % MHI in their opening comments.[3] PG&E commented that % MHI is not an appropriate metric because it does not "factor in the different costs of living in California."[4] Similarly, UCAN asserts, "Because housing costs in California are so burdensome for low-to-moderate income Californians who live in coastal areas, if the Commission decides to use MHI as a metric for determining the affordability of utility services, it should include [a] housing factor that is tied to the cost of renting a 1-2 bedroom home or apartment."[5] CWA agrees, noting that metrics "must be tailored in a manner to reflect the circumstances in particular locales in a more granular fashion."[6] CalCCA agrees. Instead of % MHI, metrics that better account for regional variations in income – such as % AMI – and that reflect costs of essential expenses – such as % CPM – should be used.

Additionally, CalCCA agrees with the Public Advocates Office that if % MHI is adopted, it should represent low-income customers and be calculated using the first (or first and second) income quartiles."[7] A further improvement upon the Public Advocates Office suggestion would be to assess affordability impacts on low-income customers based on the CPM income threshold for poverty.

Many parties support the use of the Affordability Ratio.[8] However, as parties also note, inputs to the metric can be cumbersome or difficult to find. In particular, as UCAN cites in Appendix J of the April 12 ALJ Ruling, "… there is no universal definition of what expenses are essential and should be included in the denominator."[9] CalCCA believes that this drawback to the AR calculation can be largely overcome if essential expenses from the California Budget and Policy Center's basic family budgets from the Making Ends Meet Study are used as proxies for "essential expenses" in the denominator. The use of this information would also meet the Public

[3] CalCCA, PG&E, UCAN, CWA and TURN
[4] PG&E Opening Comments on Workshop at p. 4.
[5] UCAN Opening Comments on Workshop at p. 18.
[6] CWA Opening Comments on Workshop at p. 4.
[7] Public Advocates Office Opening Comments on Workshop at p. 34.
[8] See Opening Comments from CalCCA, NDC, TURN, and UCAN.
[9] UCAN Opening Comments on Workshop at p. 19.

Advocates Office suggestion that inputs to the metric be "sufficiently transparent [such that] users are able to validate the input data, assess trends in the input factors, and clearly trace movement in the overall metric to changes in the various inputs,"[10] because the California Budget & Policy Center study is publicly available.

B. Affordability definitions and metrics should incorporate both utility costs and customers' ability to pay.

CalCCA disagrees with PG&E, SCE, and SDG&E's assessment that Energy Burden is a useful measure of affordability in this proceeding. Inputs to the Energy Burden metric include only income and utility bills. While CalCCA appreciates that this metric is simple to calculate, the Energy Burden metric should be rejected from consideration because (1) it fails to account for regional non-utility household essential expenses, and (2) it relies on income alone, which is not a reliable indicator of customers' ability to afford basic service. In short, Energy Burden does not adequately measure hardship, which is a key component of the definition currently contemplated in this proceeding.[11] The implication of this definitional focus on hardship is that a more holistic understanding of the expenses faced by customers is needed. Indeed, metrics like Energy Burden do not adequately track "hardship" because they offer no insight into a customer's ability to pay their utility bills *and* still afford other essential expenses necessary to maintain their quality of life. As SCE notes, "While Energy Burden is easy to apply to different populations, it is overly simplistic and has serious shortcomings: namely, it does not reflect customers' actual difficulty in paying the utility bill."[12]

C. LSEs can and should leverage available demographic and socioeconomic data.

PG&E and SDG&E express opposition to collecting customer demographics and/or income information. For example, PG&E argues that "utilities do not and should not be required

[10] Public Advocates Office at p. 34.
[11] The definition proposed in the ruling reads as follows: "A household's total utility costs are affordable if the household can regularly pay for an essential quantity of service of each utility on a full and timely basis without substantial hardship. A bill is more affordable if it reduces the hardship caused by paying for essential utility service." See Attachment J at p. 4.
[12] SCE Opening Comments on Workshop at p. 11

to collect information relating to the disposable income information of our customers."[13] Similarly, SDG&E states that metrics such as Affordability Ratio "present greater data challenges that may not produce comparable added value when compared to % MHI or Hours at Minimum Wage…".[14] CalCCA believes it is in the public interest to go beyond broad metrics like % MHI and Energy Burden and that load-serving entities ("LSEs") should instead do our best to understand the affordability impacts of rates on households in various demographic and socioeconomic segments. The aim is not to track information on the individual customer,[15] but rather to leverage existing datasets to develop an aggregate picture of our communities. As CalCCA noted in opening comments on the OIR, demographic information is readily available if customers are grouped into existing political jurisdictions or economic areas.[16] For example, CCAs have relied on data on poverty levels, linguistic isolation, and unemployment by census tract contained in the CalEnviroScreen dataset, used in combination with internal data, to develop a nuanced view of disadvantaged communities. EBCE has, for example, used geocoding to merge CalEnviroScreen census tract-level information with zip code-level data on CARE enrollment for the purpose of identifying census tracts with large numbers of customers who may face affordability challenges. Other energy providers could undertake a similar exercise.

Additionally, PG&E's claim that utilities do not have information related to customers' income levels is false, as demonstrated by their administration of income-qualifying programs, as well as the practices of other utilities in California. For example, SCE recently shared an analysis of the relationship between customer income ranges and disconnection rates during the April 19 Commission workshop on CARE restructuring. This suggests that utilities may already have information on customers' income.[17] Additionally, data sources like the California Budget and Policy Center's basic family budgets can be combined with income information to estimate disposable income.

[13] PG&E Opening Comments at Attachment A, p. 5.
[14] SDG&E Opening Comments on Workshop at p. 14.
[15] For example, Center for Accessible Technology notes, "the impossibility of making individualized assessments for each customer or household" p. 1.
[16] CalCCA Opening Comments on OIR at p. 2.
[17] See "Joint Status Report on Development of CARE Restructuring Consensus Proposals," Attachment A, "CARE Workshop Report & Status Report on Consensus Proposals", filed April 19, 2019 in R.12-06-013, at p. 3.

Identifying communities where customers are likely to have difficulty making ends meet will be key to solving the affordability challenge. Improving our understanding of customer demographics will not only help measure affordability impacts but also help direct resources and customer programs to those in need.

D. 'Substantial hardship' should be measured consistently with the Disadvantaged Communities Advisory Group's Equity Framework.

The definition of affordability proposed in this proceeding should include a broader concept of "substantial hardship" that encompasses impacts to disadvantaged communities. The Greenlining Institute and GRID Alternatives recommend that the Commission specify the concept of "substantial hardship" such that it reflects the definition of disadvantaged communities used within the Disadvantaged Communities Advisory Group's Equity Framework. CalCCA supports the use of this DAC definition, particularly because it includes areas where income levels are less than 80% of Area Median Income, and thus reflects regional differences in earnings.[18] Additionally, CalCCA believes that this definition could be further improved by including census tracts within the top 25% for poverty, as measured either by CalEnviroScreen's "poverty" column, or with household income levels below the CPM poverty thresholds by county. CalCCA notes that this approach of using multiple qualifying criteria to ensure that the full range of vulnerable communities is identified is similar to the approach used in the Disadvantaged Communities Green Tariff and Community Solar Green Tariff programs.[19]

III. Conclusion

CalCCA appreciates the opportunity to provide these comments in reply. We believe that the approaches recommended here will result in a more regional and representative assessment of affordability for customers in our communities.

[18] We also recommend that regional social service agencies be consulted to confirm that 80% AMI is adequate to meet basic living expenses.
[19] See, Resolution E-4999 (May 30, 2019).

Respectfully submitted,

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