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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service.	Rulemaking 18-07-006

CALIFORNIA COMMUNITY CHOICE ASSOCIATION LATE-FILE OPENING COMMENTS ON PROPOSED DECISION

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Pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the California Community Choice Association (CalCCA),[1] respectfully submits these opening comments on the Proposed *Decision Adopting Metrics and Methodologies For Assessing The Relative Affordability Of Utility Service,* dated June 4, 2020.

I. INTRODUCTION

CalCCA supports the Proposed Decision of June 4, 2020 with the additional comments below.[2] Utility rate affordability is a matter of strong interest to the members of our communities that Community Choice Aggregators (CCAs) represent. In fact, affordability is one of the three founding pillars of community choice in California. Thus, CalCCA deeply appreciates the Commission's ongoing efforts to develop robust methodologies to keep rates affordable, especially for the most vulnerable people in our communities. CalCCA looks forward to playing a useful and constructive role in working with the Commission to solve these issues together.

II. COMMENTS ON PROPOSED DECISION

A. Affordability Metrics Should Be Deployed Immediately Where Possible

[1] California Community Choice Association represents the interests of 20 community choice electricity providers in California: Apple Valley Choice Energy, CleanPowerSF, Clean Power Alliance, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Monterey Bay Community Power, Peninsula Clean Energy, Pioneer Community Energy, Pico Rivera Innovative Municipal Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Jacinto Power, San José Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, Valley Clean Energy, and Western Community Energy.

[2] These comments are submitted pursuant California Public Utility Commission Rule of Practice and Procedure Rule 14.3.

CalCCA strongly supports the immediate use of the developed metrics in General Rate Cases (GRC) and all other cases in which cost recovery is approved. These metrics can provide the Commission with information on affordability of the requests for cost recovery, which is a significant improvement over having no information at all as is the current practice. While the metrics can and will be improved in Phase 2, they are already well enough developed to be informative now. The fact that improvements are possible later is no argument against the use of robust metrics now. Thus, these affordability measures can and should be deployed now to evaluate the affordability impacts of approved spending against the benefits for California customers.

B. Development of a Comprehensive Report Will Provide Decisionmakers with Important Context

CalCCA also reiterates support for the development of a robust affordability report. In particular, this report should also include historical and geographical analysis of affordability. Without the knowledge of the range and changes in affordability metrics developing in the report, decision-makers will struggle to interpret affordability measures and the public will be unable to evaluate trends and successes of the Commission to promote affordability.

C. Full Use of Affordability Metrics Must Include Commission Decisions Beyond Cost Recovery Authorizations

CalCCA strongly supports a phase 2 of this proceeding to address the outstanding issues identified in the proposed decision. Furthermore, CalCCA recommends that Phase 2 take a broad approach to developing new approaches to using the metrics to ensure rates are as affordable as possible.

In particular, CalCCA urges that Phase 2 develop assessments of the affordability impacts of decisions that shape market function and Load Serving Entity (LSE) costs. As CalCCA has noted previously, Commission decisions shape affordability of utility service through market rules and regulations that may drive up the cost of LSE operations, rather than through direct approval of cost recovery. For example, rules for compliance with Resource Adequacy or Integrated Resources Planning requirements have significant impacts on costs, and evaluating the relative costs of alternative proposals may help the Commission steer a path that addresses critical needs at the least cost for Californians while balancing policy goals. Since these decisions do not come with a direct cost, the Commission will need to develop approaches for assessing the relative costs of different regulatory options, even if at an elementary level. CalCCA recommends that the Commission begin developing such methodologies in Phase 2 and implement the proposed metrics to support such calculations.

In addition, Phase 2 should also develop approaches for using affordability analysis in the Commission's strategic planning. Many issues that the Commission could take up have impacts on affordability, so the Commission needs affordability measures of these issues to help evaluate priorities and inform planning. For example, Commission work to facilitate the deployment of Distributed Energy Resources could generate significant affordability benefits for all Californians and the affordability metrics could help the Commission determine how those savings for the most vulnerable Californians compare to other competing issues. Similarly, as noted by Public Advocates, rapid increases in transmission and distribution costs represent a major driver of customer costs. Methodologies to evaluate the affordability impacts of these charges would help the Commission evaluate ways to reduce the economic impact to customers, especially the most vulnerable, while meeting policy goals. Such information could help the Commission prioritize issues in its planning. Thus, Phase 2 should include methodologies for systematically incorporating affordability measures into Commission work planning.

D. CalCCA Supports the Use of Affordability Measures.

CalCCA supports the Decision's recognition that all data-based analysis inherently incorporates uncertainty but seeking to refine methodologies and estimates in no way suggests opposition to the effort to develop the best metrics possible. CalCCA endorses the Commission's statement that stakeholders have not "blinded themselves to the idea that the Commission's affordability analysis would rely on data with certain limitations."[3] While all data-based estimates have inherent uncertainty, even highly uncertain data-based estimates are far superior to *data-free* speculation. CalCCA is mindful that estimates have uncertainty and supports providing both estimates of key metrics and the estimated statistical error of those metrics (*i.e.*, the degree of uncertainty in those measures.). CalCCA deeply appreciates staff's competence and judiciousness in addressing uncertainty.

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[3] Proposed Decision at 82.

E. The Proposed Metrics Need Two Important Refinements

CalCCA reiterates two critical points regarding the specifics of the metrics to be adopted: affordability is inherently tied to the cost of living and metrics should not presume affordability.

First, every assessment of affordability must capture the cost of living if the Commission is to have a holistic view of the state. California is one of the most economically inequal states in the United States and therefore has huge variability in the cost of living geographically. Absolute income amounts, such as poverty levels, are near meaningless without scaling to local costs of living. Earning $16,000 a year in Blythe or Chico has very different implications than the same income in the San Francisco Bay Area or expensive areas of Los Angeles. Those CCAs representing particularly affluent and expensive areas are particularly sensitive to the impacts of costs in creating economic vulnerability, while CCAs in areas with a lower standard of living are equally sensitive to the accessibility of affordability programs to all customers. Although the SEVI metric does partially capture costs through the percent income spent on housing element, the use of absolute poverty measures will present a distorted picture. CalCCA supports adjusting all measures for cost-of-living in indices such as the SEVI.

Second, the Commission should not adopt measures that presume rates are affordable. In particular, CalCCA objects to characterizing the possibility that utility rates might exceed disposable income for many Californians as "illogical or absurd."[4] In top-coding Affordability Ratios above one implies that the Commission is confident that representative households do not in fact face utility bills that exceed their disposable income.[5] However, California has some of the poorest communities in the United States while having among the highest utility rates. This combination certainly opens the possibility that affordability ratios over one may be fully possible. How far above one the affordability ratio might be in reality is clearly informative, and arbitrarily reducing affordability ratios to one would distort any aggregate measures. As an alternative, the Commission could not top-code values over 1 or alternatively take a higher cutoff value for top-coding.

As a final matter, CalCCA notes that the Commission's argument that *analysis* of the affordability impacts of broadband rates does not require that these rates be regulated by the

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[4] Proposed Decision, at 60, Finding of Fact 24.

[5] Top-coding negative values is more defensible, but if many values are negative, this should prompt additional investigation of the source of the negative values.

Commission also applies to the use of CCA rates in calculating affordability. Although CCA rates are regulated by boards of elected representatives of our communities rather than the Commission, the rates are an important component of the overall economic picture for customers. Currently CCA rates do generally closely track incumbent IOU rates, so using IOU rates is a reasonable simplification, but it would not be unreasonable for the Commission to consider using CCA rates as inputs in the future.

III. CONCLUSIONS

CalCCA appreciates the opportunity to work with the Commission in addressing the critical questions of affordability. We look forward to playing a constructive role in addressing these fundamental issues in shaping a vibrant and equitable California

Respectfully submitted,

CALIFORNIA COMMUNITY CHOICE ASSOCIATION

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General Counsel

June 25, 2020