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California Public
Utilities Commission

CPUC Annual Affordability Report DACAG Briefing

Energy Division | November 18, 2022



Overview of Metrics and Annual Affordability Report

- Phase 1 Decision:
 - Adopted affordability metrics and methodologies
 - Ordered IOUs to submit quarterly cost and rate tracker tools
 - Ordered issuance of an Annual Affordability Report



where utility services are least affordable for households at a particular point of the income distribution (e.g., AR₂₀ is households at the lowest 20th percentile of income)

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Hours at Minimum Wage (HM)

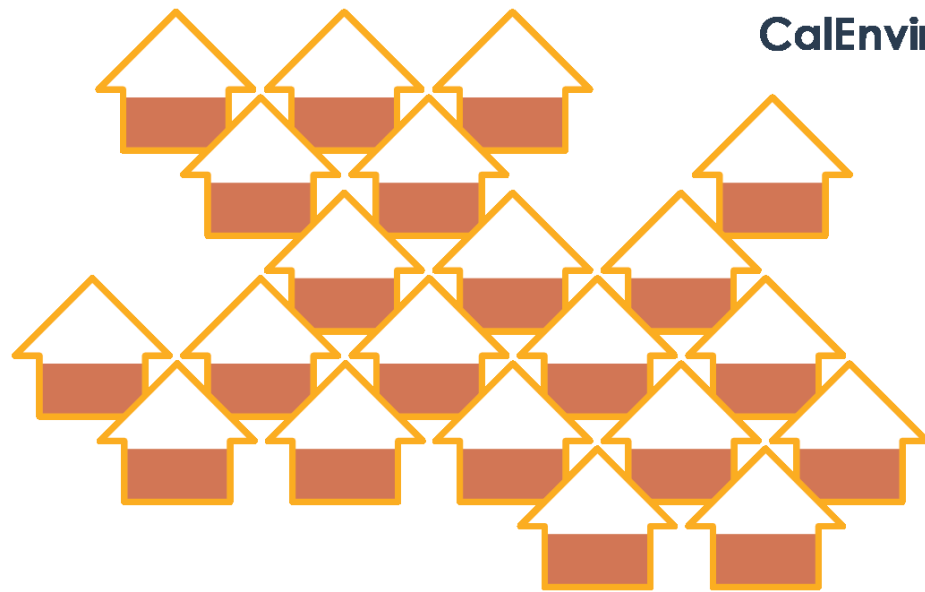


hours of earned employment at the local minimum wage needed to pay for essential services.

= **HM** where *low-income households will have the most difficulty paying for essential services, regardless of the socioeconomic condition of the neighbors.*

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CalEnviroScreen (CES)

relative standing of community (census tract)
based on:

- population characteristics
- pollution burden

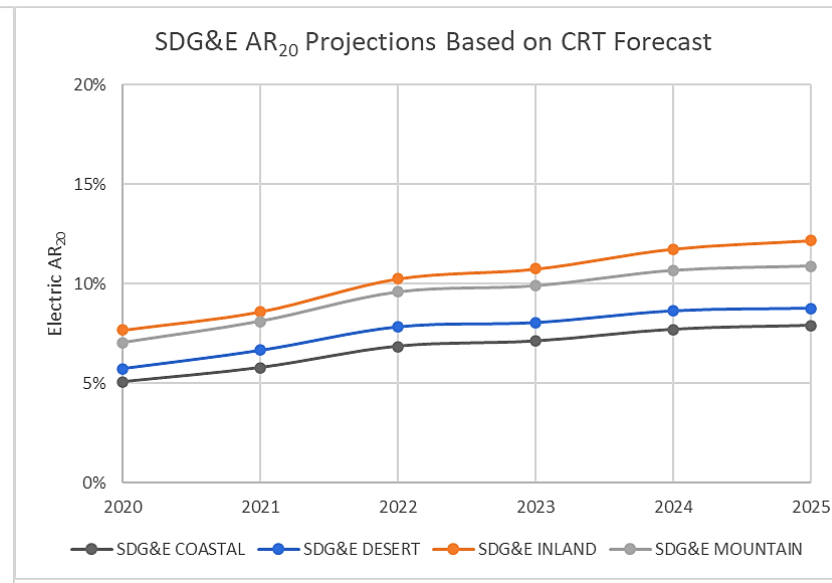
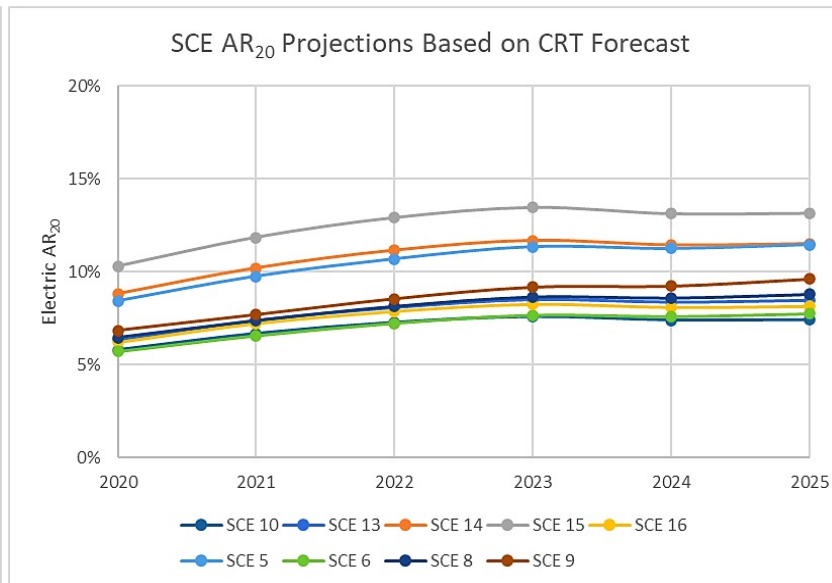
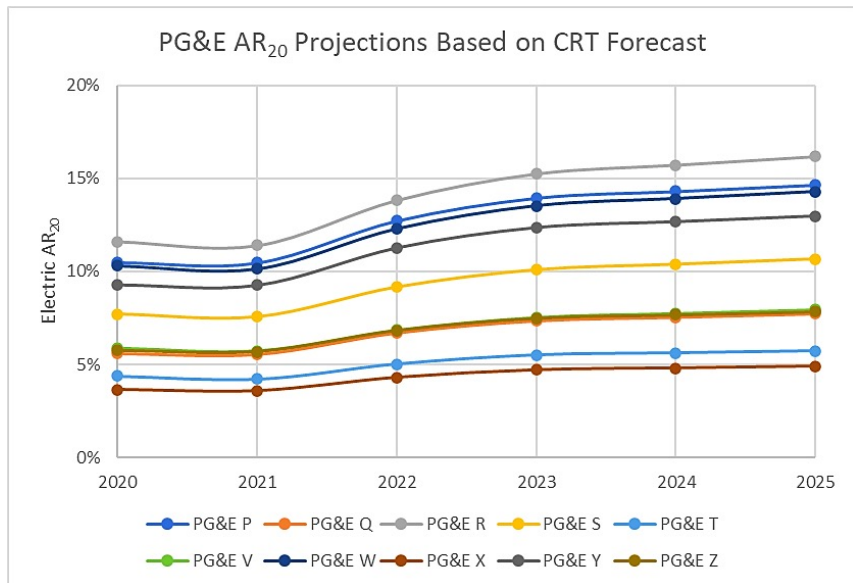
= **CES** identifies communities least able to afford
increases in charges for essential services

Key Findings from 2020 Annual Affordability Report

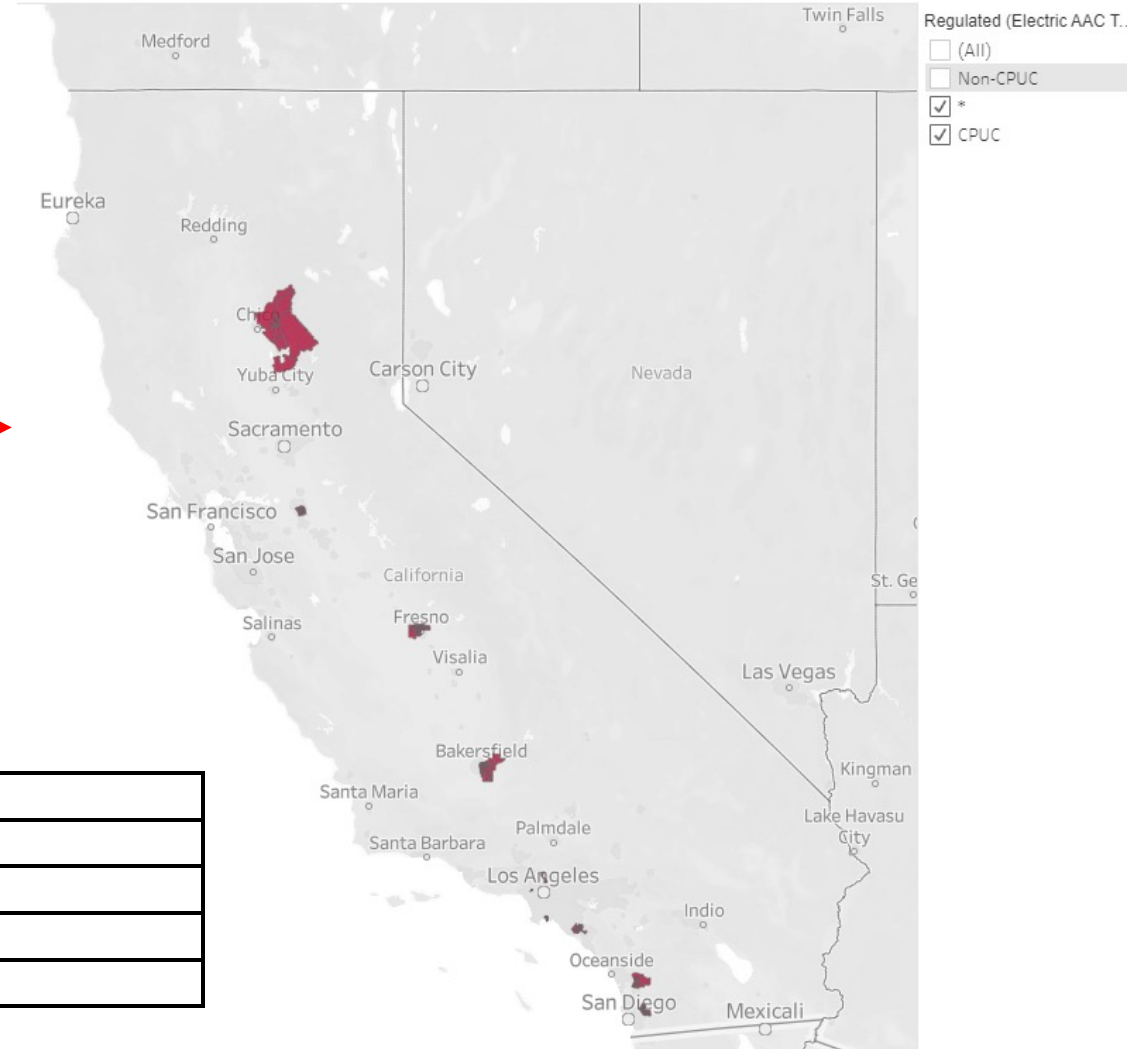
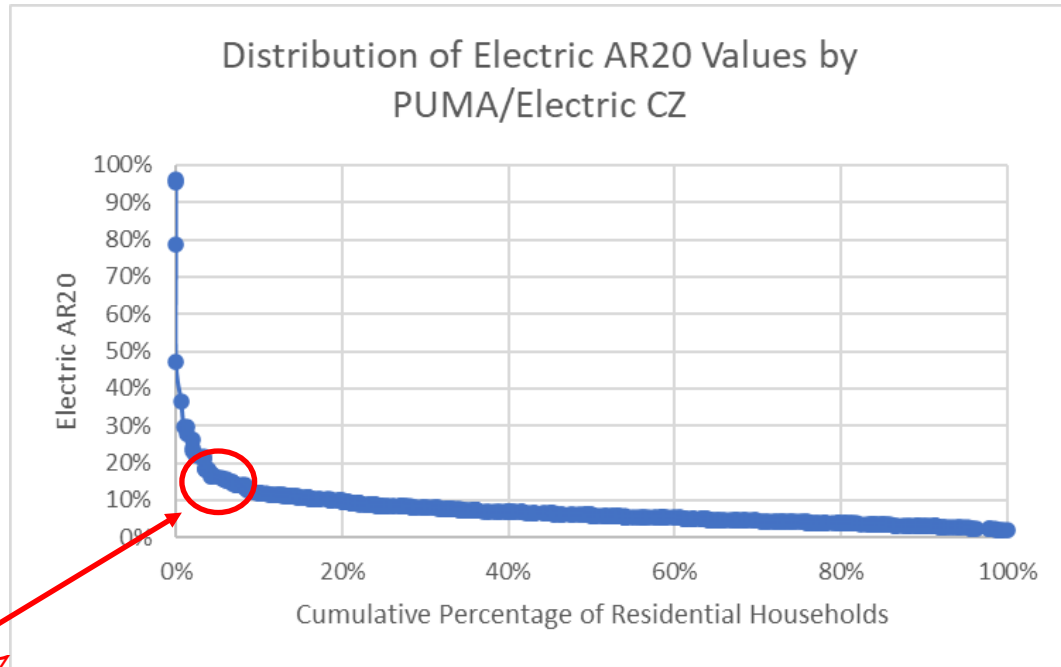
- Electricity service is projected to become less affordable across the three large electric IOUs over the next few years, particularly in hotter climate zones
- Energy affordability concerns are most severe in hotter climate zones due to combination of low incomes and greater energy needs
- CARE and FERA provide significant relief where affordability concerns are most severe
 - CARE participation is quite high, but there is an opportunity to improve FERA enrollment based on utility eligibility estimates

Electricity Affordability Projections

- Current forecast of residential electric bills, household incomes, and housing costs indicate that electricity will become less affordable between now and 2025 (higher AR₂₀ value = less affordable)
 - Graphs show percent of income needed to pay electric bill after housing costs and other essential utility bills are deducted. Results for low-income households (20th percentile of local income distribution)
 - Hot climate zones = PG&E – P, R, S, W; SCE – 5, 10, 13, 14, 15; SDG&E – Mountain and Desert



Areas of Affordability Concern (AAC)

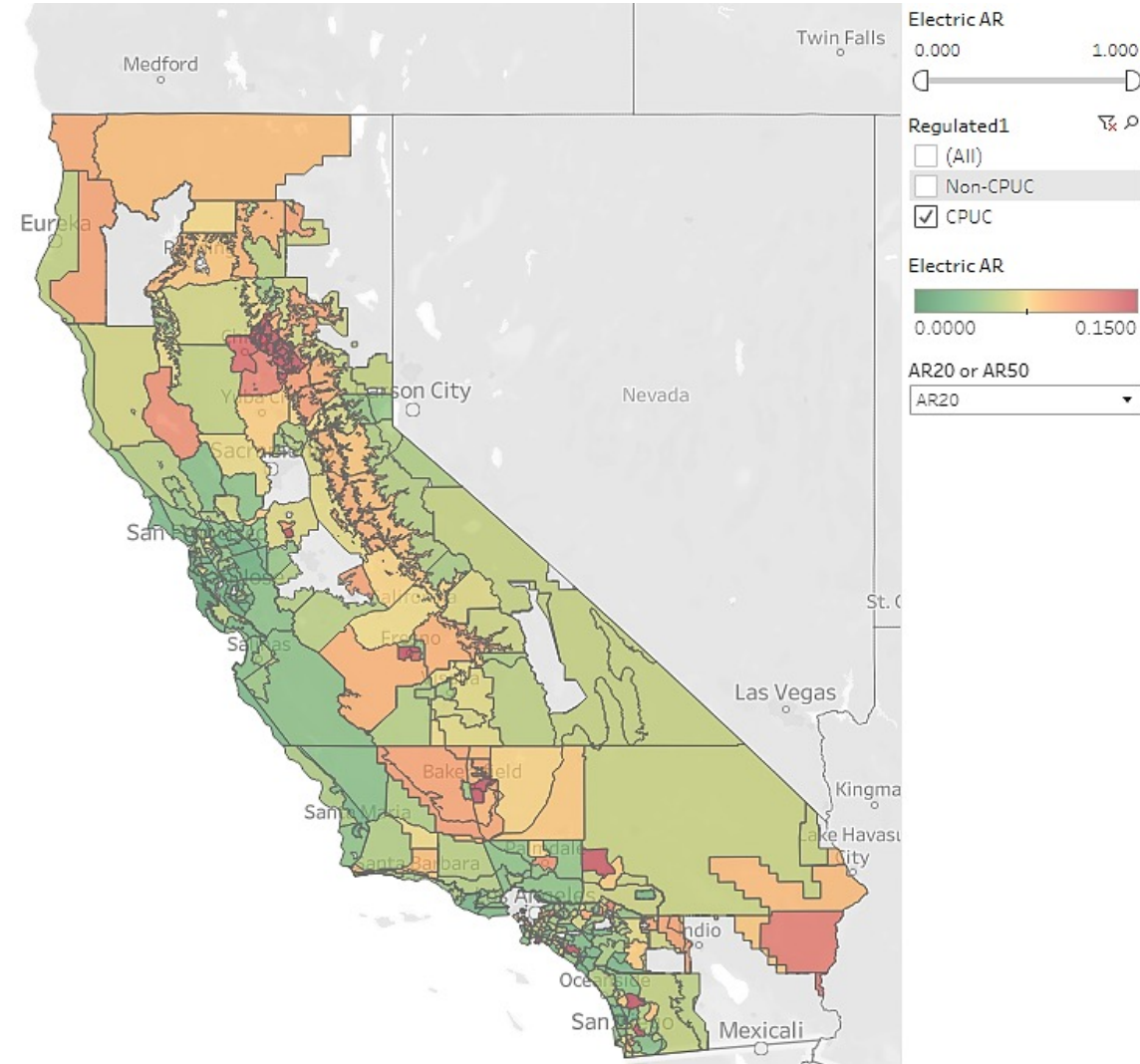


15%

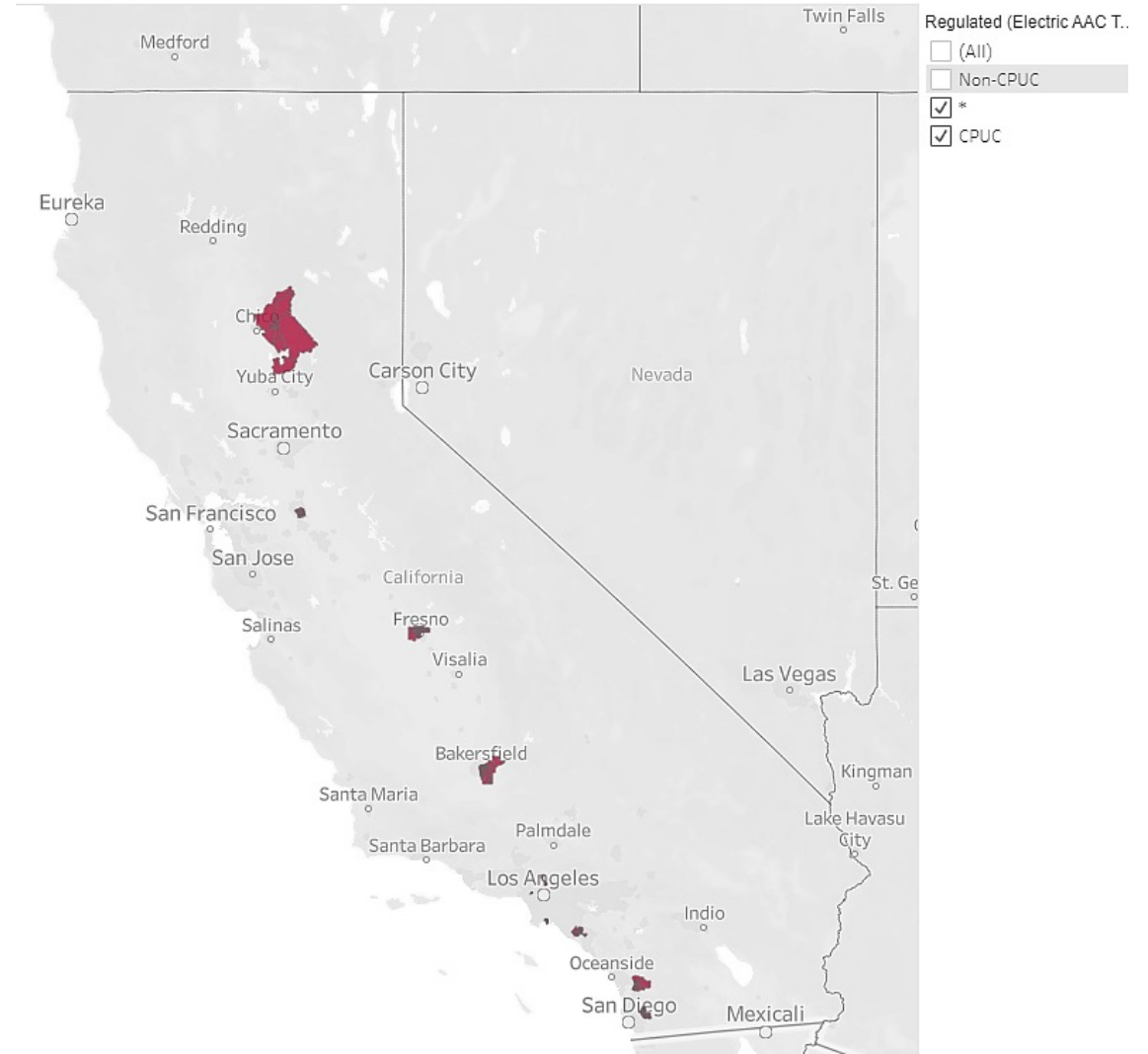
Industry	Inflection Point %
Electric	15%
Gas	10%
Water	10%
Communications	15%

Affordability Concerns in Hot Climate Zones

Electric AR₂₀

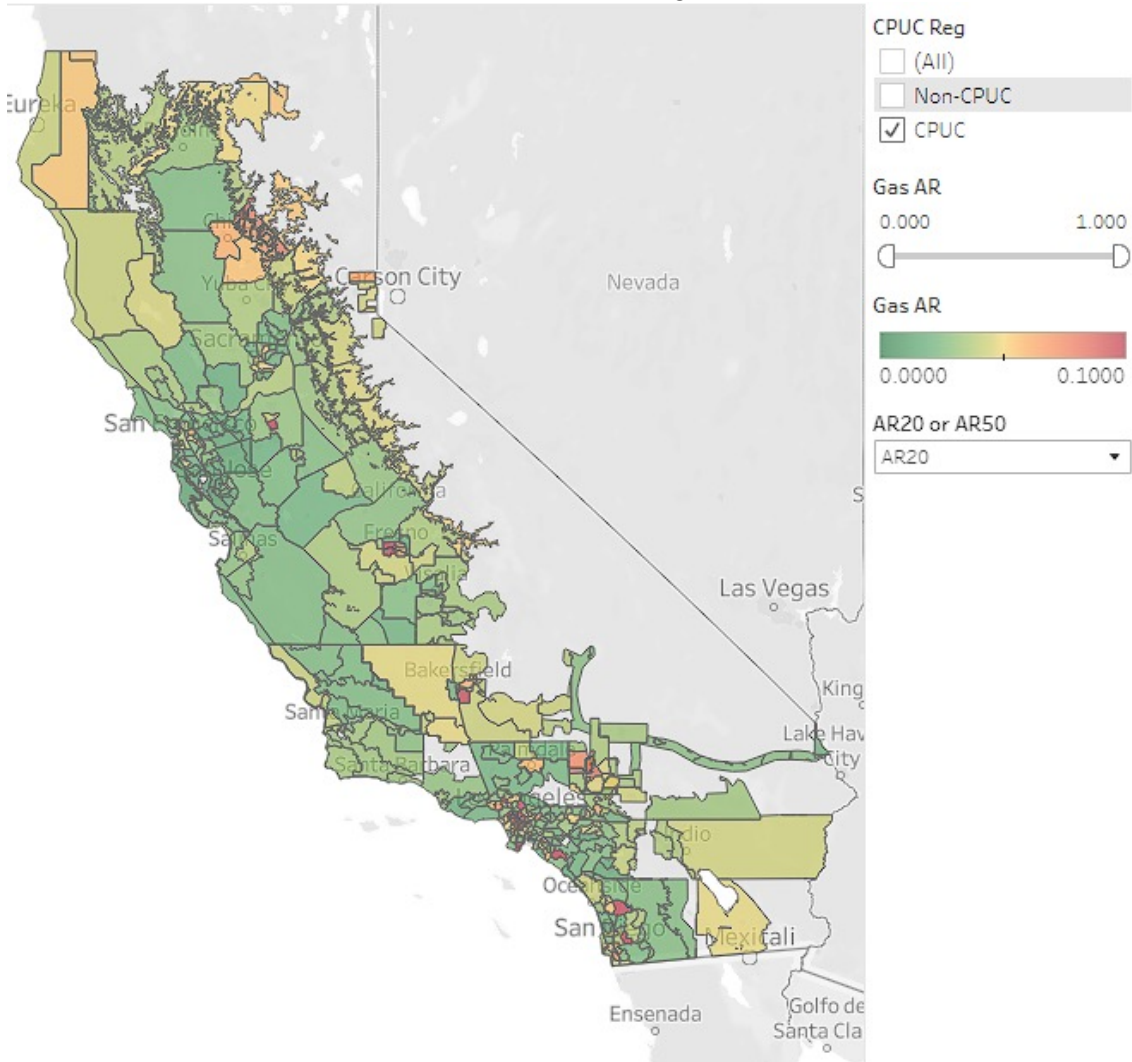


Areas of Affordability Concern



Natural Gas AR and AAC Results

Natural Gas AR₂₀



Areas of Affordability Concern



CARE Significantly Improves Affordability

- CARE discount significantly improves affordability (2 – 3 percentage point reduction in AR_{20} values across all large IOU climate zones)
- CARE impact is greatest in communities with most significant affordability concerns due to outsized impact on disposable income in particularly low-income areas
- FERA provides smaller but still significant reduction in AR_{20} (1 – 1.5 percentage points)
- While CARE enrollment is close to 100% of eligible customers, FERA enrollment is much lower (PG&E – 21%, SCE – 13.6%, SDG&E – 33%)

Phase 2: Overview of D.22-08-023

- Directs energy and water utilities to show impact of proposed rate change on affordability metrics in applications that increase revenue requirement by >1%
 - Also directs SDG&E to pilot use of metrics in upcoming GRC Ph 2 application (test metrics in a revenue allocation proceeding)
- Requires energy and water utilities to provide greater transparency into cumulative impact of approved and pending rate changes on a quarterly basis
- Recommends implementation of affordability framework in Broadband Infrastructure Deployment and California Advanced Services Fund proceedings
- Refines the affordability metrics adopted in Phase 1 (D.20-07-032)
 - Establishes how metrics can be forecasted based on proposed future rates
 - Aligns measure of community-scale vulnerability with CalEPA's CalEnviroScreen metric
 - Adopts new definition of vulnerable communities based on affordability ratio (AR) metric: Areas of Affordability Concern
- Establishes a two-year evaluation period to allow for party input into and refinement of affordability framework

Contact Information:

Ankit Jain – ankit.jain@cpuc.ca.gov