

Company: Southern California Gas Company (U 904 G) / San Diego Gas & Electric
Company (U 902 M)
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Application: A.22-05-015/-016 (cons.)
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REBUTTAL TESTIMONY
OF RACHELLE R. BAEZ AND MICHAEL FOSTER
(ELECTRIC AND GAS AFFORDABILITY METRICS)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2023

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**REBUTTAL TESTIMONY OF
RACHELLE R. BAEZ AND MICHAEL FOSTER
(AFFORDABILITY METRICS)**

I. INTRODUCTION

This prepared rebuttal testimony regarding Southern California Gas Company’s (SoCalGas) and San Diego Gas & Electric Company’s (SDG&E) (collectively, the Companies) Electric and Gas Affordability Metrics addresses the following testimony from other parties:

- The Utility Consumers’ Action Network (UCAN) as submitted by Witness Dr. Eric Charles Woychik, dated March 27, 2023.
- The Utility Reform Network (TURN), as submitted by Witness Jennifer Dowdell (Exhibit (Ex.) TURN-2), dated March 27, 2023.
- Small Business Utility Advocates (SBUA), as submitted by Richard McCann and Steven J. Moss, dated March 27, 2023.

Additionally, this prepared rebuttal testimony chapter adopts the following prepared testimony: (1) Supplemental Testimony of Iftekharul (Sharim) B. Chaudhury (Affordability Metrics) on behalf of SDG&E (Ex. SDG&E-51-S); and (2) Supplemental Testimony of Iftekharul (Sharim) B. Chaudhury (Affordability Metrics) on behalf of SoCalGas (Ex. SCG-43-S).

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by SDG&E or SoCalGas with the proposal or contention made by these or other parties.

A. UCAN

The following is a summary of UCAN’s arguments on electric and gas affordability metrics:

- UCAN alleges that “the affordability analysis performed by SDG&E witness Baez in the instant case falls far short of the Commissions goals and directives as expressed in [D.22-08-023]” and that the testimony “lacks meaningful analysis” of the affordability metrics sufficient to justify its proposed rate increases.¹

¹ Prepared Direct Testimony of Dr. Eric Charles Woychik on Behalf of the Utility Consumers Action Network (March 27, 2023) (Ex. UCAN (Woychik)) at 32.

1 **B. TURN**

2 The following is a summary of TURN’s arguments on electric and gas affordability
3 metrics:

- 4 • “The Commission should find that current levels of energy rates and bills
5 are not affordable for many low-income customers even despite low-
6 income assistance programs.”²
- 7 • “The Commission should find that authorizing Sempra’s GRC proposal at
8 requested levels will decrease affordability (as measured by the
9 Commission’s Affordability Ratio methodology) relative to its current
10 levels.”³

11 **C. SBUA**

12 The following is a summary of SBUA’s request to the California Public Utilities
13 Commission (CPUC or Commission) regarding electric and gas affordability metrics:

- 14 • “SBUA recommends that the Commission...[r]equire the utilities to
15 propose and apply an affordability benchmark for small commercial class
16 customers in their next GRC.”⁴

17 **II. REBUTTAL TO PARTIES’ ARGUMENTS**

18 **A. SDG&E and SoCalGas Met the Requirements Set Forth by Decision**
19 **(D.) 22-08-023**

20 UCAN makes the false claim that the affordability metrics testimonies “falls far short of
21 the Commission goals and directives” and the testimony “lacks meaningful analysis of the
22 metrics.”⁵ Ordering paragraphs (Ops) 5 and 6 of Decision (D.) 22-08-023 set forth specific
23 requirements for the affordability metrics required to be presented in this General Rate Case,
24 which include Affordability Ratio 20 (AR20) by climate zone, Affordability Ratio 50 (AR50) by
25 climate zone, and Hours-at-Minimum Wage (HM). In addition, essential usage bills by climate

² Prepared Testimony of Jennifer Dowdell Addressing Affordability, on behalf of The Utility Reform Network (March 27, 2023) (Ex. TURN-2 (Dowdell)) at 5.

³ *Id.*

⁴ Direct Testimony of Richard McCann, PH.D. and Steven J. Moss, MPP on Behalf of Small Business Utility Advocates (March 27, 2023) (Ex. SBUA (McCann/Moss)) at 36.

⁵ Ex. UCAN (Woychik) at 32.

1 zone, average usage bills by climate zone, and Areas of Affordability Concern (AAC) by climate
2 zone subdivided by Public Use Microdata Areas (PUMA).⁶ Each of these metrics were to be
3 provided at both the current authorized levels (at the time of filing) and for each year with new
4 revenues being proposed.⁷

5 Not only did the Companies meet the requirements as detailed above but went beyond the
6 requirements providing supplemental analyses for consideration including: (1) the AR20, HM
7 and AACs modified to include California Alternate Rates for Energy (CARE) bill discounts and
8 (2) Energy Burden metrics for the 50th percentile and 20th percentile household income (EB50,
9 EB20, EB20 with CARE discounts) and for electric service included the AACs previously
10 identified in the testimonies.⁸

11 Furthermore, UCAN’s claim that the Affordability Metrics testimonies lacked
12 meaningful analysis is without merit and not supported by D.22-08-023, which specifically
13 provides that affordability metrics presented pursuant to that decision should “*exclude analysis*
14 and only introduce and update metrics.”⁹ As such, UCAN’s claims should be rejected and the
15 Commission should acknowledge that the Affordability Metrics testimonies as submitted by
16 SoCalGas and SDG&E both meet and exceed the criteria set forth in D.22-08-023.

17 **B. UCAN and TURN Provided Inaccurate Analyses and Interpretation of**
18 **Provided Affordability Metrics**

19 **1. UCAN**

20 In its discussion of AACs, UCAN misreads the analysis provided by SDG&E witness
21 Baez and misunderstands the definition of the Affordability Ratio and AAC. UCAN states,
22 referring to Table 9 of Ex. SDG&E-50-S (Baez), “[i]n SDG&E territory, the Public Use
23 Microdata Area [PUMA] 07313 (El Cajon & Santee Cities), for example, shows that of the
24 70,527 SDG&E electric customers 20.9% are currently of affordability concern . . . ” and

⁶ D.22-08-023 at OPs 5 and 6.

⁷ *Id.*

⁸ *See generally* Ex. SDG&E-50-S, Supplemental Testimony of Rachelle R. Baez (Affordability Metrics) (November 2022) (Ex. SDG&E-50-S (Baez)); Ex. SDG&E-51-S, Supplemental Testimony of Iftekharul (Sharim) B Chaudhury (Affordability Metrics) (November 2022) and Ex. SCG-43-S, Supplemental Testimony of Iftekharul (Sharim) B Chaudhury (Affordability Metrics) (November 2022) (Ex. SCG-43-S (Chaudhury)); *see also* D.22-08-023 at Findings of Fact (FOF) 16 and 17 (allowing stakeholders to provide variations or alternatives to the adopted metrics).

⁹ D.22-08-023 at 74 – 75 (emphasis added).

1 continues for years 2024 – 2027 in an attempt to show the *number* of customers of affordability
2 concern.¹⁰ However, the AAC analysis shows the *Affordability Ratio* for a given geographic
3 location for households who are at the 20th lowest percentile of income. It does not reflect the
4 percent of customers (or households) who are AAC.

5 As defined in the Affordability proceeding, AR20 reflects the percent of income spent on
6 a utility service after housing and other non-discretionary expenses for an illustrative household
7 at the 20th percentile of income in that specific PUMA.¹¹ Or more plainly, “the Affordability
8 Ratio and the HM contrast the cost of a utility bill with the resources of a representative
9 household within a community” and that “[t]he metrics differ in their grouping of households
10 into communities, therefore each showing a different perspective depending on the affluence, or
11 resource level (the term used in this decision), of the community.”¹² It is important to understand
12 that AACs are communities that have a wide range of incomes and that not every household
13 within an AAC is in the 20th percentile of household income level – the AR metric is intended to
14 highlight potential affordability concerns for a subset of lower-income customers within that
15 AAC. With this concept in mind, the total number of households within all the identified AACs
16 represent approximately 8% of SDG&E’s total electric households,¹³ therefore, it is reasonable to
17 conclude that less than 8% of SDG&E’s total affected households (where electric AR20>15%)
18 are defined as AACs.

19 SDG&E agrees with UCAN that it is important to consider and address affordability
20 concerns for designated AACs. To accomplish this task, it is important to first understand the
21 primary driver for high affordability ratios to effectively address the issue. In Table 1 and Table
22 2 below, SDG&E presents a comparison of various affordability ratio (AR) and energy burden
23 (EB) calculations for PUMA 07313, which is the same PUMA UCAN calls out in its prepared
24 direct testimony. As noted in D.22-08-023, Affordability Ratio and HM are variants of Energy
25 Burden (EB) with the key differences being that AR and HM: (1) limit the utility bill cost to

¹⁰ Ex. UCAN (Woychik) at 33.

¹¹ See D.20-07-032 at 51 – 54.

¹² D.22-08-023 at 3 – 5.

¹³ See Ex. SDG&E-50-S (Baez) at RRB-15 – RRB-16, Table 9 (identifying total number of electric households within all the identified AACs of 121,444, which is 8.0% of the 1,515,121 total number of SDG&E households in the 2020 Affordability Ratio Calculator published by Energy Division).

essential usage rather than average usage, and (2) reduce household income by housing costs and other essential usage bills.¹⁴ Exhibit SDG&E-50-S, presents SDG&E’s calculated electric EB using essential usage utility bills and the same income assumptions used for purposes of the AR.¹⁵ As a result, the only difference between the EB and AR calculations are that housing costs and the costs of other essential usage bills (such as, telecommunications and water) not factored in the denominator in EB.

Table 1 - PUMA 07313 - San Diego County (Central)-El Cajon & Santee Cities, Inland (Electric Only)

Exhibit SDG&E-50-S Table Reference	Scenario	Current (2022)	2027	Total Impact
Table 9	AR20, Non-CARE	20.9%	27.0%	6.1
Table 13	AR20, CARE	13.4%	17.2%	3.8
Table 17	EB20, Non-CARE	5.7%	6.2%	0.5
Table 18	EB20, CARE	3.7%	4.0%	0.3

Table 2 - PUMA 07313 - San Diego County (Central)-El Cajon & Santee Cities, Inland (Gas Only)

Exhibit SDG&E-51-S Table Reference	Scenario	Current (2022)	2027	Total Impact
Table 7	AR20, Non-CARE	8.1%	13.3%	5.2
Not Previously Presented	AR20, CARE	5.7%	8.9%	3.2
Not Previously Presented	EB20, Non-CARE	1.9%	2.5%	0.6
Not Previously Presented	EB20, CARE	1.5%	2.0%	0.5

By eliminating the costs of housing and other essential usage bills from the denominator, the ratio for electric service dramatically decreases from ~21% to ~6% for a non-CARE customer when comparing current (2022) AR to EB, respectively. The ratio for gas service decreases from ~8% to ~2% for a non-CARE customer when comparing current AR to EB, respectively. This shows that housing costs and other essential usage bills are a significant

¹⁴ D.22-08-023 at 3 – 4.

¹⁵ Ex. SDG&E-50-S (Baez) at RRB-20 – RRB-26.

1 component underlying affordability concerns. Furthermore, the CARE metrics show that the
 2 CARE program provides an economic benefit to qualifying households enrolled in the program.

3 **2. TURN**

4 TURN’s affordability analysis incorrectly adds SDG&E’s gas and electric affordability
 5 ratios to develop a “combined” affordability ratio for customers that have dual-fuel service.¹⁶
 6 This analysis is inappropriate and should be disregarded. As discussed in SDG&E’s
 7 affordability metrics analyses, these calculations cannot be added together due to different
 8 denominators (the Electric AR uses gas bills as a reduction to income in the denominator and
 9 vice versa).¹⁷ In contrast, the energy burden metrics can be added together because of the
 10 consistent denominator (income only), and as discussed above, reviewing the various metrics
 11 both with and without the CARE discounts included provides a more complete picture of the
 12 affordability metrics. In Table 3 below, SDG&E presents combined gas and electric EB50 and
 13 EB20 both with and without CARE.

14 **Table 3 - SDG&E Combined Bill Climate Zone – Supplemental Metrics Compared**
 15 **to Current**¹⁸

SDG&E Climate Zone	Non-CARE				CARE			
	Current 2022	TY 2024	2027	Total Impact 2027 - Current	Current 2022	TY 2024	2027	Total Impact 2027 - Current
EB 50								
COASTAL	1.80%	1.96%	2.07%	0.27	N/A			
DESERT	2.88%	3.09%	3.24%	0.36				
INLAND	1.96%	2.13%	2.24%	0.28				
MOUNTAIN	2.83%	3.04%	3.19%	0.35				
EB 20								
COASTAL	4.11%	4.47%	4.73%	0.62	2.83%	3.09%	3.29%	0.47
DESERT	6.01%	6.46%	6.78%	0.76	4.06%	4.38%	4.61%	0.55
INLAND	5.00%	5.42%	5.72%	0.72	3.42%	3.73%	3.95%	0.53
MOUNTAIN	6.34%	6.80%	7.14%	0.80	4.27%	4.61%	4.85%	0.58

16 ¹⁶ Ex. TURN-2 (Dowdell) at 20.

¹⁷ See, e.g., Ex. SDG&E-50-S (Baez) at RRB-21.

¹⁸ Current aligns with what was presented as Current in the Prepared Direct Testimony.

1 TURN makes the erroneous claim that in 2024, “SDG&E could require as much as 15%
2 of monthly income from customers in its Inland Climate zone.”¹⁹ TURN’s statement is incorrect
3 due to: a) its inaccurate combined affordability ratio and b) TURN should be referring to energy
4 burden metric if referring to the amount of monthly income that *SDG&E* would require. To
5 elaborate, the 15% referenced by TURN accounts for housing, other essential utility bills (water
6 and telecommunications), plus electric and gas essential usage bills when considering monthly
7 income, but SDG&E does not bill customers for housing or other essential utility bills.
8 Therefore, the corrected statement should read, “in 2024, SDG&E could require as much as 5%
9 of monthly income for a dual-fuel Inland customer in the 20th percentile of household income
10 and not enrolled in the CARE discount program. If the customer is eligible and enrolled in the
11 CARE program, SDG&E could require as much as 3.5% of monthly income.”²⁰

12 **C. The Definition of Affordability is Relative, Not Absolute as TURN**
13 **Erroneously Claims**

14 TURN requests the Commission make a determination that that current rates and bills are
15 unaffordable, however, the Commission in D.22-08-023 stated that “the definition of
16 affordability adopted in D.20-07-032 is relative, not absolute.”²¹ The definition on the
17 Commission’s Affordability website (as adopted in D.20-07-032) is, “[t]he degree to which a
18 representative household is able to pay for an essential utility service charge, given its
19 socioeconomic status.”²² In fact, D.20-07-032 states that the decision, “expressly avoids setting a
20 metric value that should be used to determine if an essential utility service is affordable.”²³

21 Notwithstanding the above, TURN attempts to compare the affordability ratios (i.e.
22 percent of income after housing and other non-discretionary expenses) to energy burden-type
23 (i.e. percent of income) benchmarks. Such benchmarks include the 4% threshold for the percent

¹⁹ Ex. TURN-02 (Dowdell) at 22.

²⁰ As noted in Ex. SDG&E-50-S (Baez) at RRB-16, n.27, SDG&E has achieved a 122% CARE penetration rate and thus it is reasonable to assume that most SDG&E low-income customers in the 20% income percentile are enrolled in the CARE program discount.

²¹ D.22-08-023 at 50.

²² See California Public Utilities Commission, Affordability Rulemaking, *available at* <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability>; *see also* D.20-07-032 at 9.

²³ D.20-07-032 at 7.

1 of income pilot program (for customers who are enrolled in the CARE program) and a 6%
2 threshold “broadly discussed by advocates for energy bills nationally.”²⁴ TURN is wholly
3 inconsistent to assert that “EB should be rejected as a relevant measure of bill and rate
4 affordability,” and then attempt to justify this request by comparing affordability ratios to EB
5 benchmarks.²⁵

6 Nonetheless, even if the Commission were to compare the SDG&E combined and
7 SoCalGas EB metrics to those EB “benchmarks,” of 4-6% proposed by TURN, both utilities are
8 well in-line, even at the end of the GRC post-test year period in 2027, as shown in Table 3 above
9 for a SDG&E dual-fuel household, and as presented in Ex. SCG-43-S (Chaudhury) for
10 SoCalGas.²⁶ Accordingly, the Commission should reject TURN’s erroneous claims based on
11 inaccurate and inconsistent analyses.

12 **D. It is Premature for SBUA to Propose the Companies Develop**
13 **Non-Residential Affordability Metrics**

14 SBUA requests the Commission require the utilities to propose and apply affordability
15 benchmarks for small commercial class customers in the next GRC.²⁷ The Companies believe it
16 would be premature and inappropriate to unilaterally develop a set of non-residential
17 affordability metrics. The expansion of affordability metrics and issues for non-residential
18 customer classes is already scoped into Phase 3 of the Affordability Order Instituting
19 Rulemaking (OIR) (R.) 18-07-006, and the creation of statewide metrics should include broad
20 stakeholder input.²⁸ The Affordability OIR is the appropriate venue to address the development
21 of statewide affordability metrics to provide opportunity for a thorough and public record
22 development process as was done for the development of the residential metrics. SBUA is a

²⁴ Ex. TURN-2 (Dowdell) at 21, n.58 (citing Energy Burden Calculator Highlights Unaffordable Burden for Home Energy Bills, Sierra Club, Iowa Chapter, *available at* <https://www.sierraclub.org/iowa/blog/2022/04/energy-burden-calculator-highlights-unaffordable-burden-for-home-energy-bills>).

²⁵ *Id.* at 23.

²⁶ *See* Ex. SCG-43-S (Chaudhury) at SBC-14 (Tables 10 and 11) and SBC-15 (Table 12).

²⁷ Ex. SBUA (McCann/Moss) at 36.

²⁸ R.18-07-006, Assigned Commissioner’s Fifth Amended Scoping Memo and Ruling (January 18, 2022) at 6 and 8; *see also* D.22-08-023 at 74 (stating “measurement of nonresidential customer affordability impacts are not incorporated as this issue is scoped in Phase 3 of this rulemaking.”).

1 party in R.18-07-006 and therefore will have the ability to review and contribute to proposals for
2 small commercial metrics within that OIR.²⁹

3 **III. CONCLUSION**

4 To summarize, the Commission should find SoCalGas's and SDG&E's affordability
5 metrics analysis met the requirements set forth in D.22-08-023, disregard the inaccurate
6 affordability analyses and interpretations provided by UCAN and TURN, and reject SBUA's
7 proposal to require small commercial metrics in its next GRC.

8 This concludes our prepared rebuttal testimony.

²⁹ R.18-07-006, E-Mail Ruling Granting Motions of Party Status (March 22, 2022).

1 **IV. WITNESS QUALIFICATIONS**

2 My name is Michael Foster. My business address is 555 West Fifth Street, Los Angeles,
3 California, 90013-1011.

4 I am employed by SoCalGas as the Rate Design and Demand Forecasting Manager
5 within the CPUC/Federal Energy Regulatory Commission (FERC) Gas Regulatory Affairs
6 Department, which supports gas regulatory activities of both SoCalGas and SDG&E. I have been
7 employed with the Companies since December 2001. I have held my current position managing
8 the rates and demand forecasting groups since February 2023. Previously, I held various
9 positions of increasing responsibility, most recently as a Principal Economic Advisor for the gas
10 Rate Design function for both SoCalGas and SDG&E, from December 2016 through February
11 2023.

12 I received a Bachelor of Arts degree in Economics from the University of California,
13 Santa Barbara in 1995 and a Master of Business Administration degree from the Darden School
14 of Business at the University of Virginia in 2000.

15 I have previously testified before the Commission.

APPENDIX A
GLOSSARY OF TERMS

ACRONYM	DEFINITION
AR	Affordability Ratio
AR20	Affordability Ratio at 20 th lowest percentile household income
AR50	Affordability Ratio at 50 th (median) percentile household income
AAC	Area of Affordability Concern
CARE	California Alternate Rates for Energy
CPUC	California Public Utilities Commission
D.	Decision
EB	Energy Burden
EB20	Energy Burden at 20 th lowest percentile household income
EB50	Energy Burden at 50 th (median) percentile household income
FOF	Finding of Fact
GRC	General Rate Case
HM	Hours at Minimum Wage
OIR	Order Instituting Rulemaking
OP	Ordering Paragraph
PUMA	Public Use Microdata Areas
R.	Rulemaking
SDG&E	San Diego Gas & Electric Company
SBUA	Small Business Utility Advocates
SoCalGas	Southern California Gas Company
TURN	The Utility Reform Network
UCAN	Utility Consumers Action Network