

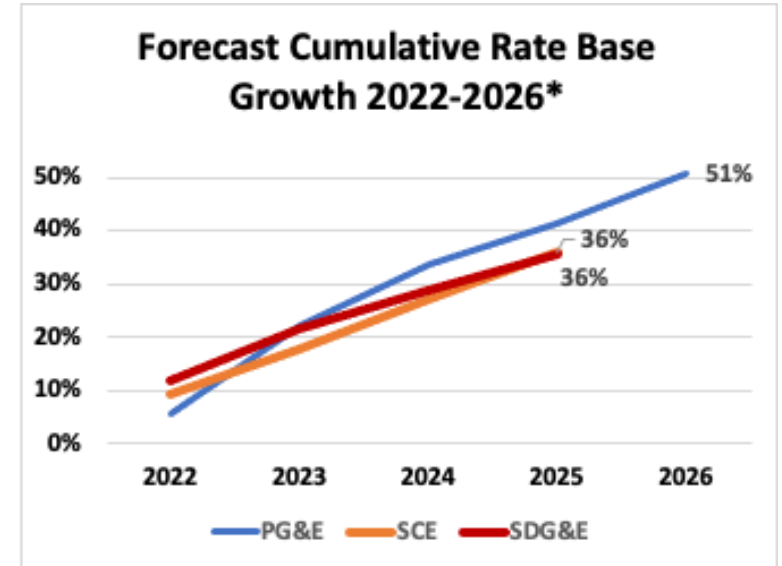
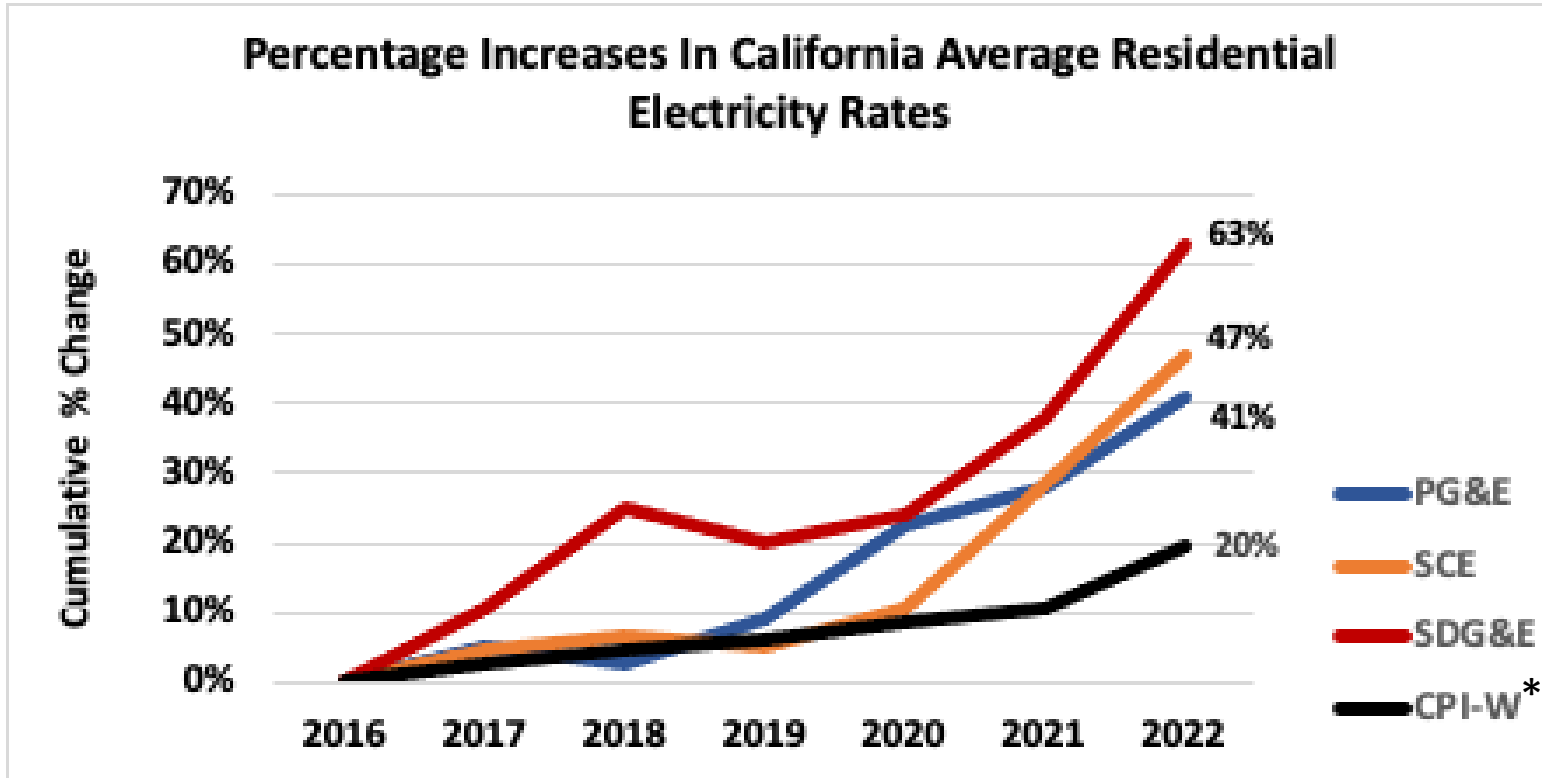


CPUC Rate En Banc #2

February 28, 2022



There is a Continuing Electricity Affordability Crisis



Source: Recent Utility Investor Presentations
Note: SDG&E and SCE forecast available through 2025 only

Sources: PG&E Annual Electric True-up/SCE and SDG&E Annual Consolidated Filings; FRED CPI Index data series available at: <https://fred.stlouisfed.org/series/CWUR0000SA0>

Note: CPI-W is used to calculate Social Security COLA adjustments.



Affordability Toolbox

Actions CPUC Can Require Now

- Cost-Effectiveness (RSE) based spending prioritization
- Use of R. 18-07-006 Affordability Framework in rate setting proceedings
- Percent of Income Pilot Programs
- Inflation-Constrained GRC Alternatives
- ROE Adjustments
- TBD...

Actions Outside the CPUC

- Federal Infrastructure Support
- General Fund Support for Utility Costs
- Targeted Use of Securitization
- State Climate and Equity Trust
- Other funding structures TBD...



CPUC Immediate “No Regrets” Actions

Require RSE Spending Prioritization

- Use Risk Spend Efficiency (RSE) values to justify risk reduction programs
- Transparent comparisons to ensure highest value for finite spending
- Protects safety while balancing Affordability concerns
- Identifies lower priority work for potential funding outside of rates

Use Affordability Metrics

- A comprehensive framework developed and vetted by Commission
- Considers the total impact of all essential services
- Measures impacts to median income as well as low-income customers
- Gives current affordability baseline



TURN's Inflation-Constrained GRC Proposal

- Utilities' GRC filings include an alternative plan that limits spending by projected CPI over GRC period.
- Applies to total of expense and capital spending increases over the four-year GRC
- Utility identifies differences between the CPI-constrained plan and the Utility recommendation
- Utility is free to argue for its preferred plan



Value of Inflation-Constrained GRC Alternative

- CPI alternative shows how the utility would prioritize spending to keep rates affordable.
- Enhances regulatory transparency and the GRC record.
- Reduces traditional “anchor bias” arising from a single IOU proposal.
- Leverages existing utility forecasting and budgeting capabilities.



Final Thoughts

The Commission should avail itself of the immediate tools to improve affordability:

- ✓ Fully utilize the affordability metrics to inform current decision-making and begin to build a time series of data for future reference.
- ✓ Continue to explore innovative pilots such as low-income percent of income program.
- ✓ Require the use of RSE to prioritize utility spending and provide the greatest value per dollar spent.
- ✓ Consider supplemental inflation-constrained GRC showings that acknowledge the linkable between revenue requests and limited household budgets.