

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop
Methods to Assess the Affordability Impacts
of Utility Rate Requests and Commission
Proceedings

Rulemaking 18-07-006
(Filed July 12, 2018)

**REPLY COMMENTS OF SOUTHWEST GAS CORPORATION (U 905 G) ON THE
STAFF PROPOSAL ON ESSENTIAL SERVICE AND AFFORDABILITY METRICS**

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Dated: September 20, 2019

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7 **I. INTRODUCTION**

8 Southwest Gas Corporation (Southwest Gas or Company) respectfully submits its
9 Reply Comments regarding the August 20, 2019 Administrative Law Judge's Ruling Inviting
10 Comments on Staff Proposal on Essential Service and Affordability Metrics (Staff Proposal).
11 Southwest Gas' Reply Comments are limited to various parties' comments related to electric
12 and gas utility issues.

13 **II. REPLY COMMENTS**

14 Southwest Gas does not have any notable concerns to the suggested modifications
15 and adjustments to the affordability metrics proposed by various parties in the proceeding.
16 Southwest Gas would like to express concern, however, on the frequency of calculating the
17 metrics expressed by certain parties and the types of proceedings in which the affordability
18 metrics should be used.

19 The Utility Reform Network (TURN) suggests that "each time a utility seeks to increase
20 rates, the utility should have the burden of demonstrating both 1) the effect of the request on
21 the affordability metrics and 2) the cumulative effect of the request and other pending requests
22 for rate increases on the affordability metrics."¹ Not only is such a request burdensome
23 especially to Small Multi-Jurisdictional Utilities, including Southwest Gas, but also could

24 _____
25 ¹ Opening Comments of the Utility Reform Network on Staff Proposal on Essential Service and Affordability
 Metrics; September 10, 2019, at pg.11.

1 potentially introduce inconsistencies in metrics. The suggestion to evaluate affordability
2 metrics with each increase in rates, without specification of how large or small the rate change
3 and no suggestion of evaluating the affordability metrics on the rate decrease side provides
4 potentially insignificant changes and a one-sided analysis. Additionally, completing an
5 affordability analysis “before any rate increase is requested...before an application is
6 submitted to the Commission”² as suggested by GRID Alternatives produces similar concerns.
7 As Southwest Gas stated in its Opening Comments and supported by a number of other
8 commenting parties,³ the Company supports annual review of affordability metrics for sufficient
9 development of trend analysis. Also, TURN’s suggestion to demonstrate a cumulative effect
10 of “other pending requests for rate increases” puts a utility in a speculative role regarding how
11 the Commission may rule on potential rate increase requests in addition to a utility speculating
12 potentially outside of its area of expertise, i.e., an energy utility speculating on a water or a
13 telecommunications utility pending request.

14 Southwest Gas would like to reiterate the concern expressed in its Opening Comments
15 that the Company would support a metric for trend tracking, however, the nature of including
16 cross utility costs in any of the proposed affordability metrics should not be used in the
17 Commission’s determination of the just and reasonableness of rates.⁴ In its opening
18 comments, the Public Advocates Office suggests the “Commission should track and use the
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20 ² GRID Alternatives’ Comments on the Administrative Law Judge’s Ruling Inviting Comments on Staff
Proposal, September 10, 2019, at pg.6.

21 ³ Southern California Edison Company’s (U338-E) Opening Comments on Staff Proposal on Essential
Service and Affordability Metrics, September 10, 2019, at pg. 2; Joint Comments of San Diego Gas & Electric
22 Company (U 902 M) and Southern California Gas Company (U 904 G) on Administrative Law Judge’s Ruling
Inviting Comments on Staff Proposal, September 10, 2019, at pg.10; Comments of Pacific Gas and Electric
23 Company (U 39 M) on the Administrative Law Judge’s Ruling Inviting Comments on Staff Proposal,
September 10, 2019, at pg.10; Opening Comments of the Public Advocates Office on the Administrative
24 Law Judge’s Ruling Inviting Post-Workshop Comments; September 10, 2019, at pg.22; Opening Comments
of the Greenlining Institute to the Administrative Law Judge’s Ruling Inviting Comments on Staff Proposal,
September 10, 2019, at pg. 3.

25 ⁴ Comments of Southwest Gas Corporation (U 905 G) on Administrative Law Judge’s Ruling Adding
Workshop Presentations into the Record and Inviting Post-Workshop Comments; May 13, 2019, at pg. 2.

1 AR [Affordability Ratio] and HM [Hours at Minimum Wage] metric in formal (e.g. applications)
2 and informal (e.g. advice letter) utility filings.”⁵ Providing affordability analysis in every advice
3 letter would duplicate the analysis that would be performed regarding the application that
4 requests the rate change, especially given that advice letters generally do not request rate
5 changes that have not been previously approved by the Commission through the formal
6 application process.

7 Furthermore, the Commission should not establish an arbitrary level of rate change as
8 a trigger for performing an affordability study as suggested by the Utility Consumers’ Action
9 Network (UCAN). UCAN proposes to assess affordability of utility services for low-income
10 households when a rate change is in excess of 3%. “UCAN recognizes that a 3% rate increase
11 standard is somewhat arbitrary” and offers a workshop to develop specific methodology.⁶ The
12 Commission should be cautious about setting specific trigger levels especially across all the
13 different utility types considered in assessing the affordability metrics as the thresholds for
14 considerations may vary across industries. In addition, circumstantial drivers of rate increases
15 such as those involving safety and reliability measures could result in percentage increases
16 past the allowable threshold and should not be compromised. Also, isolating the analysis to
17 just low-income households would not accurately capture all customers at baseline service
18 and/or at medical baseline. Therefore, the Commission should look at affordability in terms of
19 trend analysis and the analysis should not be triggered by any arbitrary levels.

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24 ⁵ Opening Comments of the Public Advocates Office on the Administrative Law Judge’s Ruling Inviting Post-
Workshop Comments; September 10, 2019, at pg.4.

25 ⁶ The Utility Consumers’ Action Network’s Comments on Affordability Staff Proposal, September 10, 2019, at
pgs.6-7.

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DATED this 20th day of September, 2019.

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