

THE SACRAMENTO BEE

California Public Utilities Commission finds new ways to make utility services affordable

BY CLIFFORD RECHTSCHAFFEN, *SPECIAL TO THE SACRAMENTO BEE*

UPDATED JULY 24, 2020, 11:02 AM

California will always remain a place of tremendous opportunity, but even before the current economic downturn brought about by the [COVID-19 pandemic](#) it also had some of the worst poverty in the nation, with millions of residents struggling to meet their monthly expenses.

Now, with [four million people out of work](#) due to the public health crisis, Californians are facing even greater financial challenges.

Although utility bills may not seem large compared to housing costs, when money is tight, households are forced to make tough choices between paying for utilities and other necessities. Utility disconnections due to non-payment have surged over the last decade and some financial projections show electric utility costs are likely to increase 15-35% over the next three years.

For these reasons, in 2018 the [California Public Utilities Commission](#) launched a significant effort to broadly evaluate the affordability of electricity, natural gas, water and telecommunication utilities, based on the real circumstances facing California households. As the COVID-19 pandemic has made abundantly clear, reliable internet is an essential service people need to function in modern society, critical for education, telework, telemedicine and more.

Although the cost of utility service is always front of mind at the CPUC, we have never taken a comprehensive look at the affordability of utility services as part of a household's overall needs. Indeed, few government agencies have looked at affordability this broadly. That is partially because each service tends to be reviewed individually and partially because calculating affordability requires a complex methodology to account for the variety of services customers use in different parts of California.

We know, however, that this effort is crucial to consumers because, for them, utility bills are not an isolated and separate reality from other financial considerations. Every bill comes out of the same household budget. To view affordability this broadly, the CPUC needed to overcome the technical issues in [calculating the overall costs of utilities](#) for each area of California – actually each census tract – to account for regional variation in incomes, housing costs and utility costs.

The CPUC's affordability analysis underscores that we have substantial swaths of the state where many households spend a shockingly large portion of their earnings on utility services. For example, in Humboldt and Mendocino counties, the lowest 20% of households by income spend, on average, more than half the money remaining after paying mortgage or rent on utility bills, leaving precious little to spend on anything else, including food and clothing.

After extensive outreach, staff work and consultation with experts, we came up with three metrics that we hope —when taken together — will give the CPUC a more detailed understanding of how well Californians are faring when it comes to paying for their utility services.

The first metric is called the affordability ratio. It calculates how much income remains after housing costs for the lowest 20% and 50% of households by income in a census tract. It then divides the total costs of utility services – electricity, natural gas, water, Internet, and landline or wireless phone – by that leftover income. The result is the percentage of disposable income that gets spent on utilities.

The second metric calculates how many hours one must work while earning minimum wage to afford the average costs of those utilities. This measurement is intended to give us a quick and understandable snapshot of the impact that utility costs are having on consumers. The third metric examines general socio-economic vulnerability by census tracts that takes into account factors that include poverty, language barriers and educational attainment.

Going forward, when considering a particular utility program or proposed rate increase the CPUC, parties in our proceedings, and the general public can more accurately assess the affordability impacts and the economic vulnerability of specific customers who would be affected by such proposals.

[On July 16](#), the CPUC adopted a decision that establishes these new affordability metrics and directs that we begin using them. We will also begin issuing an annual report on the general affordability of utility services throughout the state to broaden everyone’s awareness, including ours, of the affordability challenge facing Californians.

These new affordability metrics represent just one of several tools the CPUC will use to understand and alleviate the burden on California ratepayers, but it is vital for assessing the true and accurate impact our actions have on households and families throughout the state.

Read more at: <https://www.sacbee.com/article244448022.html>