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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Investigation on the
Commission's Own Motion into Natural
Gas Prices During Winter 2022-2023 and
Resulting Impacts to Energy Markets.

Investigation 23-03-008
(issued March 20, 2023)

**OPENING COMMENTS OF SMALL BUSINESS UTILITY ADVOCATES
ON QUESTIONS REGARDING POTENTIAL RELIEF MEASURES**

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June 10, 2024



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I. INTRODUCTION

Small Business Utility Advocates (SBUA) appreciates the opportunity to provide comments in response to the questions presented in the Assigned Commissioner’s Ruling dated May 13, 2024. The unprecedented surge in natural gas prices during the winter of 2022-2023 severely affected California ratepayers, especially small businesses that depend on stable and reasonable energy costs to maintain their operations, and SBUA strongly supports the Commission’s work to gather information on potential relief measures that may avoid or mitigate the impact of any future gas price hikes and fluctuations.

II. COMMENTS ON QUESTIONS REGARDING POTENTIAL RELIEF MEASURES

1. Should the Commission require gas and electric utilities to notify customers if gas commodity costs reach a certain threshold? If so, what should the threshold be?

SBUA Response: Yes, SBUA supports the requirement for gas and electric utilities to notify customers if gas commodity costs reach a specific threshold. We propose a threshold of a 20% increase in the monthly average compared to the previous year or a set threshold above the historical seasonal average. This early notification would provide small businesses with valuable time to explore energy efficiency measures, adjust their budgets, or implement other strategies to

mitigate the impact of rising gas costs. In addition, the Commission should consider mandating customer notifications when wholesale gas commodity costs exceed 200% of the prior 12-month average cost for more than seven consecutive days. This criterion would help ensure that significant price increases are communicated promptly, allowing for adequate preparation.

2. Should the Commission require gas utilities to communicate with customers regarding potential high gas bills and ways to conserve? Should these communications occur over a particular channel (i.e., text, voicemail, email, other)?

SBUA Response: Yes, SBUA recommends that gas utilities proactively communicate with customers regarding potential high gas bills and ways to conserve. Multi-channel communications, including text messages, emails, bill inserts, social media platforms, and voicemails, should be utilized to maximize reach and effectiveness.

Additionally, as part of these communications, gas utilities should offer conservation tips and information on financial assistance programs, with outreach beginning as far in advance as possible of anticipated high bills.

3. Should the Commission require gas utilities to increase communications with customers regarding payment plan options, including plans that reduce variation in bills throughout the year?

SBUA Response: Yes. Gas utilities should prioritize increasing communication about available payment plan options, with a particular emphasis on plans that provide stable and predictable monthly payments throughout the year. Levelized payment plans help small businesses, which often operate on tight margins and limited cash flow, budget more effectively and maintain financial stability during challenging economic times.

During high price events, in particular, gas utilities should increase promotion of these levelized payment plans to help customers manage bill volatility. Plans that allow spreading high winter costs over 12 months, for example, can ease the impact.

Furthermore, SBUA urges the Commission to set clear expectations for gas utilities regarding the promotion of payment plans during high price events, including minimum requirements for outreach frequency, content, and communication channels with customers.

4. Should the Commission require PG&E to provide more granular information on its Pipe Ranger website, including more information about how much inventory is allocated to base gas, working gas, park and loan, etc.? Should the Commission require SoCalGas to provide similar information on its Envoy website? Why or why not?

SBUA Response: SBUA supports requiring PG&E to provide more granular information on its Pipe Ranger website, and similarly for SoCalGas on its Envoy website. Detailed information on inventory allocations, including base gas, working gas, park and loan, and other categories, would enhance transparency and enable stakeholders to better understand the processes involved. Presumably this transparency also would help the market grasp supply and demand dynamics, potentially enhancing competition. We recommend that this data be made available on both the Pipe Ranger and Envoy websites.

5. Should the Commission require independent storage providers (ISPs) to publicly report daily inventory levels? Why or why not? If so, on what platforms should ISPs report daily inventory levels (e.g., respective gas utilities' websites, PG&E's website, the Commission's website, or a combination of these websites)?

SBUA Response: Yes, independent storage providers should be required to publicly report daily inventory levels. By requiring ISPs to report, the Commission can ensure that this information is easily accessible and transparent to all interested stakeholders. This information is helpful to gain a greater understanding of the gas supply situation and make informed decisions about energy usage and costs.

To ensure the information is easily accessible and transparent, it should be posted on a combination of websites, including the respective gas utilities' websites, as well as on PG&E's website, and the Commission's website. The Commission could work with ISPs to develop

reporting standards that address confidentiality issues while still ensuring the timely disclosure of essential inventory data.

6. Should more PG&E storage capacity be allocated to core customers to reduce the amount of storage Core Gas Supply must purchase from ISPs? Should the rates charged by ISPs for storage procured by PG&E for core customers be set by the market or at cost-plus-rate-of-return?

SBUA Response: While reallocating more PG&E storage capacity to core customers could reduce dependency on independent storage providers, it is important to consider the potential cost impacts on core customers, including small businesses. The Commission should evaluate the cost-benefit ratio of such a reallocation on ratepayers. Any additional storage capacity allocated to core customers should be managed efficiently to minimize cost increases.

Regarding the rates charged by ISPs for storage procured by PG&E, SBUA has not yet determined whether a market-based approach or a cost-plus-rate-of-return methodology would be more appropriate. Both approaches have their pros and cons, and SBUA may further address this issue in our reply comments with the goal of choosing a model that ensures a reliable supply while keeping costs manageable for ratepayers.

7. Should the Commission require gas utilities to place a temporary cap on the core procurement charge during price spike events with subsequent recovery? Why or why not? If so, how should the Commission define a high price event? What should the cap be? Over what period should the additional costs be amortized? If there is a cap, how should utilities signal to customers the need to conserve? Should gas utilities more heavily promote payment plans over time for core customers in conjunction with such plans or instead of such plans?

SBUA Response: SBUA supports placing a temporary cap on the core procurement charge during price spike events. A temporary cap can be essential to protect small businesses and other ratepayers from the volatility of gas prices.

A high gas price event should be defined with clear and measurable criteria. The Commission could consider factors such as the percentage increase in the average monthly price

compared to the previous year or a set threshold above the historical seasonal average. SBUA suggests that a high price event could be reasonably defined as a 20% increase in the average monthly price compared to the previous year or a set threshold above the historical seasonal average.

The cap should be set at a level that balances the need for consumer protection with the necessity of maintaining a stable gas supply. SBUA suggest a cap that is no more than 15% above the historical seasonal average. To minimize the impact on ratepayers, the additional costs should be amortized over a period that aligns with the typical business cycle, such as one year. Utilities should employ a multi-channel communication strategy to signal the need for conservation during high price events. This could include alerts via text messages, emails, bill inserts, social media platforms, and voicemails. While payment plans can provide relief, they should not replace the need for a cap. We advocate for a dual approach where utilities promote payment plans in conjunction with a temporary cap.

8. Should the Commission require gas utilities to lengthen the core procurement charge amortization period during high gas price events? If so, how should a high price event be defined? Over what period should the additional costs be amortized?

SBUA Response: SBUA believes lengthening the core procurement charge amortization period during high gas price events is a prudent measure. As discussed above, a high price event could be characterized by an increase in the average monthly price by 20% relative to the same month in the preceding year or a . Mirroring the suggestions above relative to a temporary cap, the amortization period could be extended to 12 months.

9. Should the Commission require utilities to provide community resource centers? If so, should these resource centers be provided by gas utilities or coordinated between gas-only utilities and electric utilities? When should utilities be required to make community resource centers available (*i.e.*, during high gas price events, if a high number of gas disconnections occur, in the event of core gas or winter electric curtailment)? If communities resource centers should be available during high gas price events, how should

the Commission define a high gas price event?

SBUA Response: SBUA advocates for the establishment of community resource centers during high gas price events, high disconnection rates, or significant curtailments. We recommend that community resource centers be made available:

- During high gas price events, to offer financial counseling and assistance programs.
- If a high number of gas disconnections occur, to provide information on reconnection and support services.
- In the event of core gas or winter electric curtailment, to serve as a hub for communication and emergency services.

These centers should be a coordinated effort between gas-only and electric utilities to provide comprehensive support services for residential but also small business customers. This coordination ensures that customers receive comprehensive support services, regardless of their specific utility provider. It also allows for a more efficient use of resources and expertise, benefiting the community as a whole.

A high price event could be set at a percentage increase, such as 20% or more, compared to the average price during the same month over the previous year or a set threshold above the historical seasonal average. Additionally, the definition could include a rapid increase in prices within a short timeframe, such as a 15% rise within a 30-day period.

10. The Energía Costa Azul Liquefied Natural Gas (LNG) export project in Baja California, owned and operated by SoCalGas affiliates Sempra Infrastructure, TotalEnergy, and IEnova, is currently anticipated to commence service in the third quarter of 2025 for an approximate maximum daily capacity of 500 Mcf/d. El Paso Natural Gas (EPNG) provides service at Ehrenburg to the expanded North Baja system, which is expected to primarily or exclusively serve the LNG export demand, as well as to SoCalGas's Southern System. Following the project's completion, increased competition for limited pipeline capacity may arise due to increased LNG exports from Mexico. Given the potential impact on gas and electric prices, what mitigation measures or tools should the Commission consider?

SBUA Response: In light of the Energía Costa Azul LNG export project, the Commission should consider measures to protect against higher gas and electric prices for California consumers, such as reserving a portion of pipeline capacity for domestic use and implementing stricter regulatory oversight to mitigate potential impacts on gas and electric prices. The Commission could work with relevant stakeholders to ensure that a sufficient amount of pipeline capacity is allocated to serve California's domestic energy needs, prioritizing core customers. Further, the Commission could closely monitor the impact of the LNG export project on gas and electric prices and take proactive steps to prevent excessive price increases. This could include setting price caps, requiring transparency on pricing levels, and establishing mechanisms for rapid intervention if prices rise above acceptable levels.

VI. CONCLUSION

For the reasons stated above, SBUA recommends that the Commission adopt the proactive measures discussed and appreciates the Commission's attention to these important issues impacting small businesses and other ratepayers.

Dated: June 10, 2024

Respectfully Submitted,

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