

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



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Commission's Own Motion into Natural Gas
Prices During Winter 2022-2023 and
Resulting Impacts to Energy Markets

I.23-03-008
(Filed March 16, 2023)

**COMMENTS OF THE UTILITY CONSUMERS' ACTION NETWORK (UCAN) ON
THE ASSIGNED COMMISSIONER'S RULING ISSUING FIRST AMENDMENT TO
SCOPING MEMO AND SEEKING COMMENTS**



Date: June 10, 2024

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I. INTRODUCTION

Pursuant to the Assigned Commissioner’s Ruling (ACR) issuing a First Amendment to the Scoping Memo and Seeking Comments, filed on May 13, 2024, the Utility Consumers’ Action Network (“UCAN”) respectfully submits these comments in response to the ACR’s request for party comments on the questions presented in Attachment A.¹

II. ATTACHMENT QUESTIONS REGARDING POTENTIAL RELIEF MEASURES

UCAN offers comments and response below to some, but not all, of the questions posed in Attachment A from the ACR Scoping Memo.

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?

UCAN believes so. UCAN previously opined that the providers must continue to constantly gauge market conditions and signals and more effectively adopt strategies and behavior to hedge and protect against such hikes in commodity prices. In the least, and consistent with that opinion, we now opine that utilities should notify customers when commodity costs reach a certain threshold.

As we earlier recounted, based on numerous individual calls UCAN’s Consumer Advocate received from alarmed and disgruntled SDG&E customers, San Diego households experienced and felt the effects of the 2022 Winter skyrocketing prices. In some cases, gas bills for customers increased upwards over 100% as compared to January 2022. January’s enormous

¹ Pursuant to the ACR, opening comments on the questions in Attachment A are due June 10, 2024, and reply comments are due June 21, 2024.

increase in natural gas charges from SDG&E amounted to a 114 percent rate hike, taking an additional \$120 from a typical customer, an additional \$100 million from all residents of our region.² As UCAN reflected upon in Opening Comments, the actual hikes far surpassed utility notices and forecasts and caught ratepayers off-guard. The 114% increase caused many more customers to join the 340,000 already behind in their utility bills; an estimated one in four SDG&E customers was in arrears on their utility bill payment before the January gas spike.³

UCAN observed California’s regulatory environment, its specific framework, and its incentive mechanisms seemingly broke down in the context and wake of these conditions. Rather than encourage utility behavior to protect customers, this experience demonstrated that utility approaches and actions failed to prevent customer bills that were unreasonable. Consequently, UCAN recommends more – not less notification and warning when natural gas bills may skyrocket again. And that would start with customer notification when gas commodity costs reach a certain threshold.

In terms of a “threshold” at a minimum, UCAN advocates for a “Natural Gas Price Notification” program when the monthly cost of natural gas reaches a level that could cause a monthly bill to increase 20% or more on the average customer’s bills, for a given month, during an upcoming winter season. And several other factors or conditions could be considered when to implement such an elevated communication program like:

- Rapid short-term increases in the cost of natural gas as a commodity;
- Natural gas supply shortages in other parts of the country; and
- Extreme cold weather/other non-seasonal weather events.

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)?

Yes, utilities should be required to (continue and improve) communications with customers regarding potential high gas bills.

To begin with, UCAN does recognize and, in fact applaud, ongoing utility communication efforts – in the calls that UCAN’s Consumer Advocate received, there was indication that SDG&E customers had received some notice that their monthly bills were fast increasing (more than “normal” levels in prior periods). And, although many customers also

² See, UCAN Opening Comments, at p. 2.

³ Id.

contacted UCAN seemingly “out of the blue” and without the corresponding notification, we do acknowledge that SD&GE and the other utilities did regularly communicate with updated information and provided notice to customers in Winter 2022 to expect increases to their bills.

But, and UCAN earlier cautioned, utilities must also (to continue to) refocus, rethink, and improve communications and messaging for customers in advance of winter bills. The utilities pointed to, and plaining commented that: customers valued more information on natural gas prices and additional resources for managing higher costs; customers found webpage information useful; customers valued transparent communications with relevant information; and customers found very useful tips and hints for saving money on their bills.⁴ In other words, customers simply want to know prices “before they receive their bill.”⁵

UCAN noted useful information and feedback has been provided in this proceeding regarding communications “best-practices.” From proceeding workshops, it appears feedback from utilities themselves indicate that email and webpage information was received and valued by customers. Shared lessons learned demonstrated that customers preferred receiving information via email in advance to plan for changes and value more information on natural gas prices and additional resources for managing higher costs. If so, then UCAN would certainly encourage more utilization of that communication channel.

In the same breath, it also appeared, despite email and other communications channels utilized, customers were still surprised by natural gas price increases. And those customers clearly showed interest in payment options and a desire to learn practical tips on how to save money on bills, along with strategies for managing increases in natural gas prices.

Accordingly, UCAN would suggest going beyond mere, or enhanced email adaptation, and using other channels like voicemail, text, and webpage forums to deliver and share current and updated content. Ratepayers would benefit from gas price increase notifications (in addition to Bill Forecast Alert) and messaging on Energy savings tools and tips.

(UCAN would again suggest that utilities can drive all this content and awareness even further by, and through, coordination with community-based organizations. Partnering with these community non-profits can enhance the delivery of information. And, of course, the utilities should continue their work in multi-cultural outreach efforts.)

⁴ See, e.g., SDG&E and SoCalGas Opening Comments, at p. 15.

⁵ West Coast Gas Opening Comments, p. 4

The aforementioned “Natural Gas Price Notification” program could also provide an opportunity to allow a customer to opt-in for a monthly text communication if the monthly cost of natural gas reaches a level that could cause a monthly bill to increase 20% or more on the average customer’s bills, for a given month, during the upcoming winter season.

UCAN acknowledges it is not a “corporate communication expert” – yet we did receive valuable feedback (presumably like the utilities did) during the 2022 Winter crisis. Therefore, we simply would encourage and recommend “more” rather than “less” – and across diverse/differential modes and multi channels – when communicating with ratepayers. Whatever the channels and means of communication, UCAN continues to recommend and encourage flexibility, that is, maintain the ability to quickly pivot strategy and tactics.

Now, as commented earlier, UCAN did additionally observe that utility notices severely understated the range and effect. And, as evinced by customer calls to UCAN, subsequent utility communications have offered no additional explanation for this gas price hike beyond earlier statements blaming the enormous increase in high spot prices for the commodity. We would suggest that utilities, beyond present efforts, provide distinct messaging to audiences that continue education on gas markets. Continued, updated and transparent communications can only serve ratepayers better as they will be better warned and prepared for future bill shocks.

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?

In line with comments above, UCAN recommends that gas utilities increase communications with customers regarding payment plan options, including plans that reduce variation in bills throughout the year.

During Workshops, the utilities echoed one another in their overarching goals for upcoming communication campaigns - engage customers and provide tools, resources, and assistance, including offering resources so that customers are proactively engaged ahead of seasonal bills and any significant gas or electric pricing increases.

Education and information about payment plan options certainly should be part of that toolbox for ratepayers. Customer assistance programs do exist and have been successful. Again, more, not less, content and information about enrolling in income qualified programs such as CARE and FERA, enrolling in seasonal billing plans to stabilize monthly bills, opting into rate forecast tools, and strategies to safely conserve while retaining health, comfort, and safety should

be the standard. Awareness of Customer Assistance Programs and Billing support options now, not later, must be a priority.

Again, like in earlier comments, UCAN (while not posed in the ALJ Additional Questions) UCAN continues to recommend a moratorium on utility service shutoffs due to unpaid accounts accruing from the price increases. Additionally, the CPUC should consider a ban on reporting customer delinquencies to credit agencies, if not already mandated. Ratepayers who may fall into arrears because of these skyrocketing bills can easily cascade into damaged credit ratings, making it more difficult to rent or lease housing and conduct other essential aspects of life that rely upon good credit scores.

4. *Should the Commission require PG&E to provide more granular information on its Pipe Ranger website,¹ 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?² Why or why not?*

UCAN favors more disclosure, more transparency, and more information be made available to the public and Commission. Toward that end, UCAN would endorse more granular information be provided on utility platforms to inform and educate stakeholders on current, evolving, and future market conditions. UCAN understands PG&E's Pipe Ranger website features: daily injection and withdrawal activities for ISPs and PG&E, PG&E's total working gas inventory and imbalance gas in storage, and comprehensive archive of historical data. It would seem, hence, that SoCalGas' Envoy website, if not already, should feature and offer the same granular data, e.g., daily storage levels and capacities, historic storage inventory levels covering past weather and market events, planned maintenance activities and capacity impact, and perhaps even posting of Unbundled Storage Service contract information.

UCAN opined that SoCalGas and SDG&E's parent company, Sempra, failed last Winter to do proper management to keep the prices down. We observed that Sempra Energy engages in exporting natural gas from the United States to international markets – as we asked at the beginning, did their role, if any, cause or play a role in developing the underlying market conditions? What data about inventory drawdown, and any pertinent interactions among Sempra utilities, before the heavy heating season, has been learned? Requiring more granular data from SoCalGas, like information related to SDG&E's gas inventories held by So Cal Gas, may help to spotlight developing market dynamics.

- 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)?***

UCAN suggests ISP should be more forthcoming with public reporting. Fundamentally, the question is what can the utilities do to protect their customers? Looking backwards, a related consideration must be what can be learned from any purchasing practices that foresaw probable price spikes? Can any lessons learned be identified, shared, and codified, in a very transparent way, by the IOUs or the Commission?

We believe the key markets are too opaque and preclude the State, Commission, and public from truly learning the roles played during high natural gas price events. The secrecy surrounding transactions keeps the public in the dark about who is making a fortune off their pain; greater transparency could prevent future gouging.

Other intervenors and commentators observed that the public does not know who reaped this windfall. UCAN noted that Sempra Energy has an energy trading arm that sells gas to the utility. Did SoCalGas' decision to buy on the spot market at a peak drive up the price and help its shareholder realize increased profits? Unfortunately, that remains unclear because some spot market transactions in natural gas remain shielded from public scrutiny. Requiring more reporting – not less – such as publicly reported daily inventory levels is a start to illuminating market conditions.

All pertinent platforms, gas utilities' websites, PG&E and SDG&E website, the Commission's website, or a combination of these websites should be utilized to foster and provide greater transparency.

- 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?***

No Comment.

- 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?

No Comment.

- 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?**

No Comment.

- 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?***

UCAN supports a requirement that utilities provide Community Resource Centers (“CRC”) during key event incidents. In the past, UCAN has been supportive of the staffing and availability of CRCs during hot temperature summer events and has found that such centers have been a positive experience for customers.

The rationale for doing during Winter seasons would seem to be the same as applied for opening CRCs during the Summer. Utility customers, given the hike in energy prices, face difficult choices. For many ratepayers in tough circumstances, financial, health or otherwise, such options are bleak, dire, and can lead to utility bill arrearages. As we commented earlier in this matter and heard from customers both in direct calls and at public hearings, some consumers indicated that (Winter) high gas price events posed a “eat or heat” conundrum. Thus, UCAN finds that the availability of CRCs – offering resources and community space – can be a temporary reprieve and even help to alleviate the worst of consequences.

To be consistent, then, and in line with our past recommendations, we would suggest that CRCs be provided during high gas price events. In terms of a “threshold” at a minimum, CRCs might be activated when the monthly cost of natural gas reaches a level that could cause a monthly bill to increase 20% or more on the average customer’s bills, for a given month, during an upcoming winter season. And/or other factors, like rapid short-term increases in the cost of natural gas as a commodity, natural gas supply shortages in other parts of the country; and

extreme cold weather/other non-seasonal weather events, could be considered when to implement CRCs.

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?

No Comment.

III. CONCLUSION

UCAN respectfully submits these Reply Comments.

Respectfully submitted,

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Dated: June 10, 2024