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 (March 16, 2023)

COMMENTS OF THE UTILITY REFORM NETWORK ON THE ASSIGNED COMMISSIONER'S RULING ISSUING FIRST AMENDMENT TO SCOPING MEMO AND SEEKING COMMENTS

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**COMMENTS OF THE UTILITY REFORM NETWORK
ON THE ASSIGNED COMMISSIONER'S RULING ISSUING FIRST AMENDMENT
TO SCOPING MEMO AND SEEKING COMMENTS**

I. INTRODUCTION

Pursuant to the Assigned Commissioner's Ruling Issuing First Amendment to Scoping Memo and Seeking Comments ("Commissioner's Ruling"), issued on May 11, 2024, The Utility Reform Network ("TURN") submits these comments in response to questions posed by the Commissioner's Ruling.

II. RESPONSE TO 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?

TURN believes that it is crucial to notify customers if gas commodity prices are expected to increase to the levels seen during the Winter Gas Price spikes in 2022-2023. It seems appropriate for the Commission to determine a price threshold that would trigger customer notification. However, TURN believes for customers to understand the notification and properly respond to the price signal, any threshold should be expressed as a function of the level of customer bill impacts rather than as a specific commodity price level. That way customer impacts remain front and center to any discussion of gas commodity price spikes.

On this basis, TURN recommends that IOUs alert customers when gas commodity prices reach a level that if sustained will result in a monthly increase of $20 relative to the average monthly residential winter usage based on the prior 5 years (November through March), excluding any climate or other credits. Use of the average winter maximum is important because the usage on which IOUs base typical bill calculations used in current rate advisories vary significantly from winter averages.

For example, PG&E and SoCalGas based their January 2024 rate advisories on Non-CARE average monthly usage of 33 and 36 therms respectively.[1] By comparison, PG&E January average residential (monthly gas usage from 2010-2024) ranged from as low as 55 therms to as high as 85 therms.[2] The comparable average over winter months November through March has ranged from 44 therms to 62 therms,[3] or as much as double the average used in standard rate advisories. In addition, typical bill usage levels for CARE customers are generally given as lower than Non-CARE even though the budgetary impact of increases are more significant for low income households that might be on the CARE rate. Use of a representative average residential winter usage that reflects the likely maximum bill impact at the trigger will ensure customers receive an impactful price signal to encourage conservation and early enough notification to help reduce customer rate shock from high bills.

A $20 increase in the monthly bill would correspond to a 33-cent increase in commodity assuming winter monthly indicative PG&E residential customer usage of 60 therms.[4] The standard deviation in commodity price for PG&E over the 2023-2024 winter period was 14 cents as shown in Table 1 below. Assuming 2023-2024 to be a normal winter gas season, 33 cents

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[1] California Public Utilities Commission Rate Change Advisories, available at: https://www.socalgas.com/sites/default/files/2024-01/SoCalGas_GasRateAlert_January2024.pdf, and https://www.socalgas.com/sites/default/files/2024-01/SoCalGas_GasRateAlert_January2024.pdf, respectively.

[2] Pacific Gas and Electric Company Residential Average Gas Rate and Residential Average Gas Bill, available at: https://www.pge.com/assets/rates/tariffs/Residential.pdf, p.3.

[3] Pacific Gas and Electric Company Residential Average Gas Rate and Residential Average Gas Bill, available at: https://www.pge.com/assets/rates/tariffs/Residential.pdf, p.4.

[4] Calculation: Increase of $0.33 x 60 therms =$19.80.

would represent gas commodity variation at two standard deviations from "normal." Anecdotally, $20 is also consistent with feedback regarding an appropriate bill-based trigger from TURN's Organizing Team which routinely helps customer navigate bill affordability issues.

Table 1: PG&E Historical Winter Gas Prices

Comparative Winter Gas Prices PG&E			
2022-23 Winter	**Procurement**	**Transportation**	**Total**
Oct-22	$0.90	$1.65	$2.55
Nov-22	$0.94	$1.62	$2.56
Dec-22	$0.98	$1.62	$2.60
Jan-23	$1.37	$1.55	$2.92
Feb-23	$1.45	$1.55	$3.00
Mar-23	$0.80	$1.55	$2.35
Average	**$1.07**	**$1.59**	**$2.66**
Standard Dev	**$0.23**	**$0.04**	**$0.21**

2023-24 Winter	Procurement	Transportation	Total
Oct-23	$0.65	$1.62	$2.27
Nov-23	$0.72	$1.59	$2.31
Dec-23	$0.91	$1.59	$2.50
Jan-24	$0.76	$1.94	$2.70
Feb-24	$0.67	$1.98	$2.65
Mar-24	$0.45	$1.98	$2.43
Average	$0.69	$1.78	$2.48
Standard Dev	$0.14	$0.18	$0.16

Source: Pacific Gas and Electric Company Residential Average Gas Rate and Residential Average Gas Bill, June 2024 Forecast, available at: https://www.pge.com/assets/rates/tariffs/Residential.pdf, p.1.

In addition to threshold concerns, the Commission should recognize that struggling families are already making trade-offs to keep the lights on, so no amount of advance notification will alleviate the stress and pressure caused by often-avoidable volatility that results in rate spikes due to utilities' lack of proactive planning and coordination. Requiring utilities to manage costs effectively using all available tools can minimize or avoid rate spikes and the subsequent financial burdens on customers. It is insufficient for customers to merely be informed of impending cost increases; proactive measures must be in place to prevent them.

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. Not surprisingly, SDG&E, SoCalGas and PG&E all presented information at the CPUC Winter Gas Spike OII Workshop indicating the value of robust customer communication regarding potential high commodity-driven spikes in monthly utility bills.

For example, SoCalGas' quantitative research study under taken in April 2023 found among other things, that "customer 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."[5] SDG&E cites among its "lessons learned," a no surprises approach to communicate early and often including broad multi-channel customer outreach including information about market volatility, savings tips and resources and direct assistance programs.[6] Specifically SDG&E notes that winter emails to customers had a highly effective, roughly 60% open rate.[7] PG&E referenced similar efforts.

TURN agrees that proactive customer outreach is extremely important. In addition, TURN favors the use of any, and all channels. This should include email, phone, text, and standard mail. TURN recommends in particular that communications should:

[5] CPUC Winter Gas OII Workshop, SoCal Gas p. 12, available at https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/meeting-documents/20230207-en-banc/gaselectricpricesenbanc_masterdeck-2022-02-07.pdf

[6] CPUC Winter Gas OII Workshop, SDG&E p. 15, available at https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/meeting-documents/20230207-en-banc/gaselectricpricesenbanc_masterdeck-2022-02-07.pdf.

[7] ID. CPUC Winter Gas OII Workshop, SDG&E p. 15, available at. https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/meeting-documents/20230207-en-banc/gaselectricpricesenbanc_masterdeck-2022-02-07.pdf.

- Use Multiple Channels: Always send standard mail and at least one additional method, such as phone or text messaging.
- Ensure Inclusivity: Recognize that many customers, particularly the most financially burdened, may not have access to broadband or phone services. Therefore, reliance solely on digital communication methods can exclude those who need the information the most.
- Engage News Media: TURN also encourages IOUs to create press releases and proactively solicit news coverage of potentially higher winter utility bills.

While TURN appreciates utilities' efforts in developing their own individual plans for winter 2023-2024, the Commission could provide value by encouraging some standardization in the channels and types of messaging/message content across utilities. As utilities represent an increasing large portion of California household budgets, customers of different IOUs should enjoy a uniform standard of information about programs, savings, and the potential for high bills due to commodity price spikes. Part of helping customers manage bills is to make the channels for receiving information uniform, clear and transparent. This also has the benefit of allowing easy assessment of whether all residential and small commercial customer segments and demographics are being reached with the targeted information. As discussed in Question 1 above, the bill impacts should be based on maximum winter usage information to limit the potential for bill surprises. As SoCal Gas observes customers found the information on its "Manage Higher Bills" helpful but were "still surprised by the natural gas price increases,"[8] and presumably the resulting level of their individual bills.

[8] CPUC Winter Gas OII Workshop, SoCal Gas p. 12, available at https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/meeting-documents/20230207-en-banc/gaselectricpricesenbanc_masterdeck-2022-02-07.pdf.

Finally, TURN looks forward to reviewing the information in the pending Winter Gas Price Spike Staff White Paper to help inform additional comments in this proceeding. While timely notification is essential, it is not sufficient to shield vulnerable customers from the financial impact of commodity price spikes. Proactive measures must also be taken to address and mitigate these increases.

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?

TURN believes that ongoing customer education regarding the potential for high bills is crucial for mitigating the negative customer impacts such as disconnections and mounting arrearage balances. Utilities should vigilantly assess the performance of their own customer service representatives ("CSR") proactively ensuring that all customers are aware of available payment options (even if they are not currently in arrears) and available resources during any phone, email, or text interaction regarding their bill. CSRs should be providing website links and contact information for affordability programs as well as assisting customers with enrollment in affordable payment plans if needed. TURN's interactions with individual customers regarding affordability concerns underscore the value and importance that customers understand available affordability resources before the customer is faced with a bill crisis.

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? Why or why not?

TURN does not offer comments at this time but reserves the right to provide reply comments in response to parties' opening comments.

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)?

TURN does not offer comments at this time but reserves the right to provide reply comments in response to parties' opening comments.

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?

TURN does not offer comments at this time but reserves the right to provide reply comments in response to parties' opening comments.

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?

TURN does not provide substantive comments at this time but reserves the right to comment in the future. That said, TURN's comments on question 1 are relevant to this broader question. TURN would favor a high price event defined based on monthly customer bill impacts exceeding $20 per month consistent with its proposed notification threshold. TURN generally supports automatic residential customer enrollment in 24-month payment plans during high gas price events. TURN also believes that a combination of commodity price caps and payment plans will be valuable in reducing and forestalling customer disconnects.

Generally, with respect to the idea of a temporary cap, TURN has some concerns regarding how and when commodity costs above the cap would be recovered. However, TURN believes that utilities have a responsibility to conduct procurement in a way that mitigates commodity price spikes. TURN understands that utilities enjoy positive shareholder incentive mechanisms to encourage this. Under circumstances such as occurred in the Winter 2022-2023 gas season, utilities to a greater or lesser extent failed to efficaciously protect core customers from market price exposure. TURN looks forward to the conclusions of the pending staff report, but TURN's understanding is that in some cases there was little shareholder downside to core commodity price spikes for utilities (other than irate customers) because the increases in core commodity costs were reflected across the entire California natural gas market including the index on which the incentives were measured.

TURN believes ratepayers could be better protected by an increased measure of shareholder responsibility for commodity price spikes above a predetermined cap, which could be effective in incentivizing utilities to allocate storage more consistently for the benefit of ratepayers. Such measures could include Commission imposed fines when core commodity prices exceed the cap more than a specified number of times over the winter, or the Commission requiring shareholders to absorb a portion of the costs when core commodity prices exceed a predetermined 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?

TURN does not offer comments at this time but reserves the right to provide reply comments in response to parties' opening comments.

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?

TURN supports the availability of community resource centers during high gas price events, similar to Public Safety Power Shutoff ("PSPS") events. TURN believes community resource centers should be coordinated between gas and electric utilities. A significant value such centers provide is to ensure that the most vulnerable members of the community have access to utility services during forced outages, but also during periods where accessibility to essential energy services is limited due to cost. Low-income customers face a particularly acute need for heating their living environments, ensuring access to hot water for sanitation, and resources to prepare food. As TURN discussed in Question 1, monthly price spikes of $20 represents an appropriate gas event threshold for outreach as well as mitigation. Based on CPUC rate change advisories for PG&E, PG&E's average monthly gas bills (CARE and Non-CARE) are roughly $62, so a $20 increase represents more than a 30% increase over the average monthly bill on an annualized basis. In January 2024, the average bill was $148, or more than double the average. TURN's proposed $20 increase threshold would result in an additional nearly 14% increase on an already costly month for utilities. Taken together with the trend of recent year over year utility gas and electric increases mounting to the double digits, it is not hard to see how an additional $20 on a gas bill would push precarious California household budgets to the breaking point.

10. **The Energía Costa Azul Liquified 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?**

TURN does not provide substantive comments at this time but reserves the right to comment in the future.

That said, TURN finds it disturbing that in the light of significant gas cost pressures core procurement ratepayers are being asked to bear, Sempra's non-regulated businesses have the potential to drive up ratepayer gas costs. Tabling conflict of interest issues, Sempra's unregulated activities should be required to compensate ratepayers for any increase in costs to the core.

One way this could be addressed is through a commodity price cap as discussed in Question 7. For example, the Commission could consider recovering price spikes above a commodity cap from Sempra unregulated gas affiliates instead of from SoCalGas customers.

III. CONCLUSION

TURN appreciates the opportunity to provide these comments. TURN respectfully requests that the Commission adopt the aforementioned recommendations.

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Respectfully submitted,

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