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Embargoed until:
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Public Hearings Needed: What Caused the Spike in Natural Gas Price Bills?

SAN DIEGO – A coalition including members of consumer, energy and political groups called today for the City Council to hold public hearing into the region’s devastating surge in natural gas prices. The announcement will be made in City Hall Plaza at noon (Monday, Feb. 6th).

Regardless of future changes, the gas gouge of January has slammed the typical customer with a 114 percent increase and will take more than \$100 million in total profits from the pockets of utility customers. Too many have shivered to save money. Many will join the hundreds of thousands already behind in their utility bills.

“The gas spike has been a disaster – an ‘unnatural’ disaster - and we need hearings to determine why this happened, how much damage has been done and how we can reduce the likelihood of it happening again,” said Craig Rose, a steering committee member of Public Power San Diego, among the groups and individuals asking for natural gas price spike hearings.

The coalition says the hearings should be open to the public and include outside experts in utility purchasing practices.

(more)

San Diego Gas & Electric has said “90 percent” the blame for the surge lies with increased spot market prices for natural gas. Gas prices have spiked across the West, although a survey of regional utilities found none imposing price increases even half as high as SDG&E. (See attachment.)

“Blaming huge rate increases on spot prices is like blaming a sunburn on the sun,” said Rose. “The question is what did the utility do to protect its customers.”

At least two utilities noted in public statements that their financial strategies and advanced purchases have shielded customers from the impact of spot market gas prices.

In contrast, SDG&E’s gas inventories – held by SoCal Gas, a fellow subsidiary of Sempra Energy – shrank just prior to the heating season, when gas demand rises to the highest levels.

“Gas markets are complex but that sounds like Best Buy running short of televisions just before Black Friday,” said Rose. “The inventory drawdown before the heavy heating season should be among the topics at the hearings.”

The January spike in gas prices is causing enormous hardship across the region. Typical customers face an increase of \$120 for the month, potentially driving more into the ranks of 340,000 already behind in their bills.

“As folks fall behind in their utility payments, they face the potential of damaged credit, which could make all kinds of transactions - like renting an apartment – much more difficult,” said John Mattes, chairman of Hillcrest Indivisible.

To protect utility customers prior to the hearings, the coalition is urging the City Council to press SDG&E for a continuation of the moratorium on utility shutoffs and not to report utility customers who are in behind in payments to credit agencies.

Letters asking for hearings into the price surge in natural gas were delivered to all councilmembers today.

Representatives from the following organizations joined today’s call for hearings: Protect Our Communities Foundation, SD350, Democratic Socialists of America, Public Power San Diego, Activist San Diego, the Utility Consumers’ Action Network and North County Equity and Justice Coalition.

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*****For Reporters: This is a copy of the letter today delivered to each Councilmember*****



February 6, 2023

City Councilmember -----
202 C Street
San Diego, Ca. 92101

Dear Councilmember _____:

We are writing to request public City Council hearings as soon as possible into the recent surge in natural gas prices.

No matter if rates quickly decline, January's enormous increase in natural gas charges from San Diego Gas & Electric 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.

Many are shivering in the cold and are certain to join the 340,000 customers already behind in paying their utility bills. Their credit ratings may be damaged, making transactions like apartment rental even more fraught.

San Diego Gas & Electric places "90 percent" of the blame on increases in the spot price of natural gas. But a survey of utilities along the West Coast, as well as in Nevada and Arizona, found no other utility imposing price increases on the magnitude of SDG&E's.

In fact, no regional utility is raising rates at even half the percentage of those imposed on San Diego. (Please see attachment.) Utilities in Oregon noted that financial tools and advance purchases have shielded their customers from the worst of the spot market price increase.

Data from the Federal Energy Information Agency, however, indicates that SDG&E's gas inventories – held by So Cal Gas, a sister company – declined dramatically just prior to the heaviest heating season. (See attachment.) Gas markets are complex but this raises questions that public hearings could begin to answer.

SDG&E's parent company, Sempra Energy, is also involved in exporting natural gas from the United States. It's another issue needing exploration, given that SDG&E has said market issues contributed to our January price surge.

So, we are asking the Council to conduct **public** hearings into this crisis for the purpose of answering three questions:

- Why did San Diego's natural gas prices more than double?
- What has been the impact of this surge on local utility customers and businesses?
- What can be done to reduce the likelihood this will happen again?

Through its vote in 2021 granting a 20-year franchise, the Council hired the SDG&E to provide energy to our region. The Council must also its responsibility of overseeing this franchisee and creating conditions that will make a repetition of this winter's price surge far less likely.

At the January 19th meeting of the Council's Environment Committee with representatives of SDG&E, councilmembers raised some of these questions. But the meeting did not allow for in-depth examination and there was no opportunity for independent outside experts to offer analysis and perspective.

Public hearings would provide a forum for those independent views, as well as for SDG&E to fully explain their preparation for this winter's heating season. Hearings with the public in attendance would also allow for a full assessment of the damage done to residents and businesses from this economic dagger.

In the interim, we urge the Council to press for a **continuation of the moratorium on utility service shutoffs, as well as for a ban on reporting customer delinquencies to credit agencies.**

We urge the Council to schedule the hearings as soon as possible.

For further communication regarding this letter, please contact Public Power San Diego, c/o Jerry Wanetick, 2906 Renault Place, San Diego, Ca 92122 or phone 858-967-4615.

Sincerely,

Craig Rose, Public Power San Diego

(more)

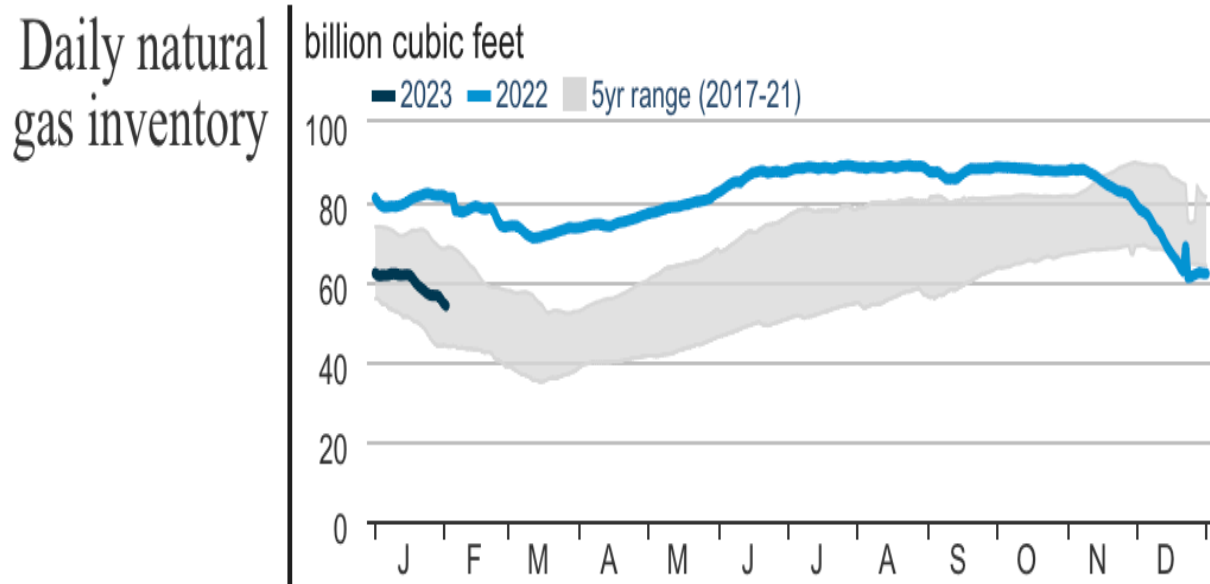
Edward Lopez, Utility Consumers Action Network
Yusef Miller, North County Equity and Justice Coalition
Lori Saldana, Protect Our Communities Foundation
Jerry Wanetick, Citizens Franchise Alliance
Barbara Jaffe-Rose, Citizens Franchise Alliance
Michael Brackney, Public Power San Diego
Valari Eastman, member, Democratic Socialists of America

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Inventory of Natural Gas as the January 2023 Crisis Approached

Note:

The chart below indicates that the inventory of fuel held by SoCal Gas declined below average levels of the past five years as the heaviest heating season approached. (SDG&E obtains its natural gas from SoCal Gas, a fellow subsidiary of Sempra Energy.)



Source: Energy Information Administration,
<https://www.eia.gov/special/disruptions/socal/winter/>

What's Happening at other Utilities Around the West

Note: SDG&E has imposed a **114 percent natural gas rate hike, or \$120 month for a typical customer**, in January.

In Washington, Puget Sound Energy (PSE) warned customers in a of a **17 percent** rate hike:

PSE (Puget Sound Energy) filed a rate increase proposal with the Washington Utilities and Transportation Commission (UTC) last month and if approved, the typical natural gas residential customer using 64 therms per month would see their monthly bill increase by \$13 from \$75 to \$88. PSE does not profit from the natural gas it purchases for customers.

- PSE press release, 10/3/22)

<https://www.pse.com/press-release/details/Puget-Sound-Energy-alerts-customers-to-higher-utility-bills>

In Portland, Oregon, PGE (Portland General Electric) told customer **rates hikes would fall below actual market increases** for spot natural gas purchases:

“Fortunately, due to PGE’s pre-emptive financial practices to protect customers, including fuel price hedging, we are able to keep this increase substantially below the actual market increases.”

-John Farmer, PGE (Portland General Electric), Jan. 27, 2023, KOIN website.

<https://www.koin.com/news/oregon/gas-rates-are-up-but-regional-utility-companies-say-they-could-be-higher/>

This from NW Natural, which provides gas service to 680,000 customers in Oregon::

*“Some areas on the West Coast are seeing unusually high natural gas prices,” she said. “NW Natural customers are not paying these high prices right now because of the company’s purchasing process and other considerations. Even with a cold winter so far, **the average residential customer in Oregon paid about 15% more for their NW Natural gas bill in December 2022 than they did the previous year.**”*

-Communications Senior Manager Stefanie Week, NW Natural (Oregon), Jan. 27, 2023, KOIN website.

<https://www.koin.com/news/oregon/gas-rates-are-up-but-regional-utility-companies-say-they-could-be-higher/>

(more)

In Northern California:

*As of January 26, 2023, PG&E projects that gas rates for small and medium-sized business customers who procure gas from PG&E, to be about **29%** higher during the peak winter months—December through February—compared to the same months last winter. Similarly, gas rates for large business customers, who procure gas from PG&E, project to be **37%** higher during the same period*

-Pacific Gas & Electric press release, Jan. 26, 2023

https://www.pge.com/en_US/small-medium-business/business-resource-center/energy-management-articles/energy-management-articles/past-articles/customers-heating-costs-expected-increase-winter-higher-natural-gas-demand-west-coast.page

PG&E noted earlier, they had planned for contingencies and didn't have problems with their gas inventory:

“Although storage levels held by PG&E for its residential and small business customers are at normal levels, storage overall on the West Coast is currently about 31% lower than the five-year average.”

-Pacific Gas & Electric press release, Dec.12, 2022

<https://www.pgecurrents.com/articles/3613-customers-heating-costs-expected-increase-winter-higher-natural-gas-demand-west-coast>

In Nevada, NV energy also announced hikes in natural gas prices:

“...on January 1st, rates jumped again. But this time by **14.06%. NV Energy says that's about a \$23 increase.**

- <https://www.ktnv.com/news/the-cost-of-natural-gas-drives-up-nevada-utility-bills>, Jan. 2, 20223

(more)

In Arizona:

*“Most home customers of Southwest Gas in Arizona will see an average **monthly increase of less than \$3 starting in February**, while low-income customers may see lower bills under new rates approved by state regulators Tuesday.”*

- https://tucson.com/news/local/business/arizona-regulators-approve-slimmer-southwest-gas-rate-increase/article_5399de68-910a-11ed-a01e-6f00589dd4e8.html

Jan. 24, 2023

In contrast, SDG&E warned customers in January of a **114 percent natural gas rate hike, a \$120 per month increase for the typical customer:**

“If your household peak winter gas bill was ~ \$105 last January, you can expect your January 2023 bill to be ~ \$225.”

-<https://www.sdgenews.com/article/sdge-adopts-new-rates-impacted-historically-high-natural-gas-prices-affecting-customers>