

EARLY 2023 NATURAL GAS BILL RATE INCREASES

Date: February 2, 2023

The Public Advocates Office represents utility customer interests before the California Public Utilities Commission (CPUC) and other forums, and is the only State entity charged with this responsibility. We develop recommendations that advance the state's goals in the most affordable ways for ratepayers. The following memo describes the recent, significant natural gas utility bill increases and our proposed solutions put forth to the CPUC.

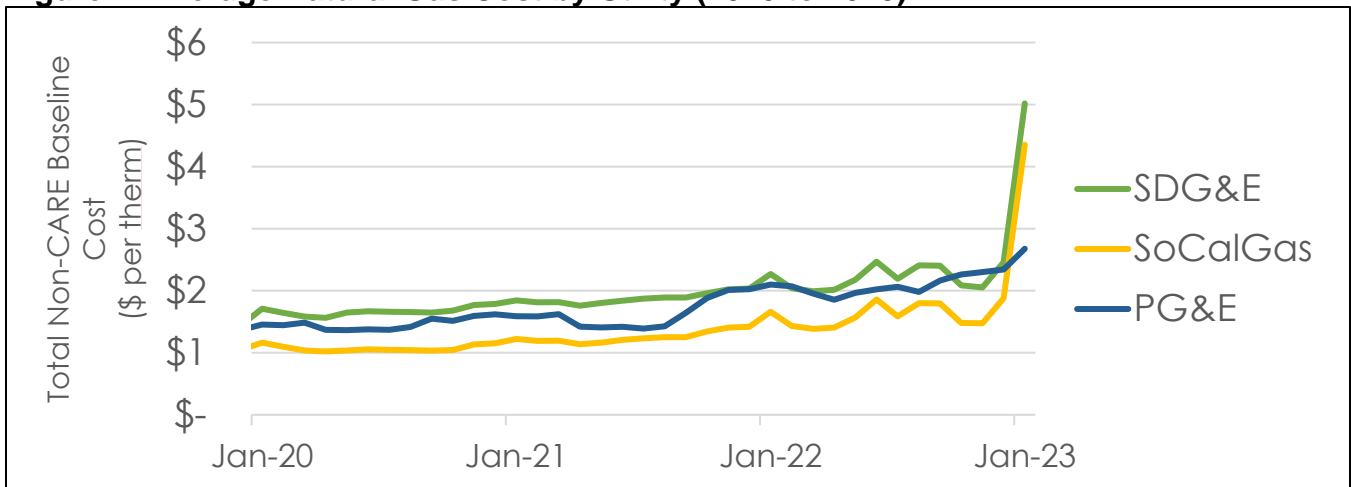
SUMMARY

An unfortunate confluence of factors, including simultaneous cold temperatures (high demand) and supply chain bottlenecks (low supply), could lead to customers seeing over a two-times higher than normal natural gas bill for January. Although market conditions are normalizing, the fiscal implications of January's price shocks and subsequent higher than average February bills will persist for many utility customers. In response, the Public Advocates Office successfully requested that the CPUC consider solutions that would provide immediate rate relief to utility customers, described in more detail below.

BACKGROUND

Natural gas is used by millions of California households for space heaters, stovetops, and other appliances. Over the past month, the state's major natural gas companies and media outlets have sounded the alarm about upcoming natural gas bill increases. Fuel-only prices ("commodity prices") in the state set records, five times over U.S. benchmark prices and up to ten times over 2020 levels.

Figure 1. Average Natural Gas Cost by Utility (2020 to 2023)



Note: The graph illustrates the average rate paid by customers, e.g. does not include discounted rates available to California Alternate Rates for Energy (CARE) program participants.

Under normal circumstances, California natural gas is generally more expensive than the national average because the state imports most of its gas supplies and often pays higher prices. Over late December and January, prices were driven even higher by a confluence of unfortunate factors that further drove up demand and reduced supplies:

- **High Demand.** Widespread, below-normal temperatures on the West Coast resulted in high natural gas consumption (e.g., home heating).
- **Constrained Supplies.** Reduced natural gas imports from the Rockies and Texas, and lower natural gas storage levels on the West Coast.

The average consumer's January monthly bill -- and to a lesser extent, February bill -- will be much higher than prior years because fuel costs are ultimately borne by utility customers, and are the largest cost component of natural gas rates. Fortunately, the natural gas utilities are projecting much lower rates for February bills based on current estimates of market prices.

SOLUTIONS

The CPUC regulates natural gas utilities (SoCalGas, PG&E, etc.) and their corresponding activities. Utilities buy natural gas for homes and small businesses at the lowest possible prices on the open market and prices are largely determined by national and regional markets. Unlike gasoline stations, natural gas companies do not mark up the energy they buy and fuel costs are passed straight to consumers.

The Public Advocates Office filed an [emergency motion](#) on January 11, 2023 for the CPUC to initiate steps to provide immediate relief for utility customers. Our main recommendations include:

- **Accelerated Application of Climate Credit.** The Public Advocates Office requests that the CPUC accelerate the distribution of the natural gas Climate Credit from April 2023 and instead apply it to January 2023 bills.
- **Adopt Automatic Enrollment in Payment Plans.** The CPUC should adopt a period of three to six months over which to spread the increased costs to provide customers with more affordable natural gas bills and avoid the risk of disconnections. Given the potential for delay in moving disbursement of the natural gas Climate Credit to an earlier date, automatic enrollment in payment plans will reduce the immediate impact of high bills and allow the Climate Credit to continue to offset costs at a later date.

On February 2, the CPUC unanimously approved a [version](#) of our proposal to provide natural gas and electric Climate Credits (approximately \$100 per household) early to customers. The CPUC will also conduct a [hearing on February 7](#) to discuss recent high natural gas prices this winter, examine possible drivers and impacts on electric markets, and explore potential measures to mitigate the impact of natural gas and electric market volatility. Members of the public are welcome to comment.

For more information, please email us at publicadvocatesoffice@cpuc.ca.gov.