



# California Public Utilities Commission



## Fact Sheet

### San Diego Gas & Electric Company: 2022 Electric & Gas Rates

March 29, 2022

The **California Public Utilities Commission (CPUC)** regulates electric and gas rates and services of the state's investor-owned utilities (IOUs). This fact sheet provides information on the 2022 electric and gas rates of San Diego Gas & Electric Company (SDG&E).

#### Electric Rates

A typical residential SDG&E electric bill is comprised of three components:

1. **Procurement Costs** (cost of electricity): 32% of costs
2. **Transmission & Distribution:** 52% of costs
3. **Public Purpose Surcharge & Other:** 16% of costs

SDG&E annually submits its Electric Regulatory Account Update Advice Letter (i.e., action request) implementing new electric rates from previously authorized CPUC Decisions, Resolutions, and Advice Letters. In October 2021, SDG&E submitted [Advice Letter 3881-E](#) with consolidated electric rate changes, which resulted in rate and bill impacts beginning on January 1<sup>st</sup>, 2022.

#### **SDG&E Electric Rate Increase Starting January 1, 2022**

The primary drivers of SDG&E's January 1, 2022, electric rate increase include -

1. **Procurement Costs:** \$273.5 million increase attributable to forecasted rising wholesale fossil natural gas prices impacting the cost of electric generation, as authorized by Decision [\(D\). 21-12-040](#).
2. **Electric Transmission & Distribution:**
  - \$38.5 million increase for electric transmission costs, as authorized by the Federal Energy Regulatory Commission (FERC).
  - \$30.6 million increase for electric distribution costs to cover construction services, electric distribution operations, project management, substation construction and operations and distribution and engineering, as authorized by [D.19-09-051](#).
3. **Public Purpose Surcharge & Other:**
  - \$34.5 million increase for the liability insurance premiums due to property damage, pollution liability, wildfires, cyber incidents, workers compensation, personal injury, and other catastrophic losses, as authorized by [D.19-09-051](#).

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- \$16.4 million increase due to the Emergency Load Reduction program costs to maintain electric service reliability during extreme weather events, as authorized in [D.21-03-056](#).
- \$3.5 million increase due to residential customer uncollectible costs from nonpayment of bills, as authorized in [D.20-06-003](#).
- \$18.9 million decrease from the delay in issuance of SDG&E’s 2019 General Rate Case Decision [D.21-05-003](#) from January 1, 2019 until September 26, 2019.

Estimated Electric Bill Impacts	SDG&E as of January 1, 2022
Average Residential Non-CARE electric bill	\$156.07
Average Residential Non-CARE electric bill increase	<b>\$16.02 (11.4%)</b>
Average Residential CARE electric bill	\$100.81
Average Residential CARE electric bill increase	<b>\$10.35 (11.4%)</b>

**\*Note:** SDG&E customers will receive a \$64.17 climate credit on their August and September 2022 electric bills.

## Background – Electric Costs & Rates

The CPUC reviews and approves electric IOU costs and revenues through a variety of the public decision-making process. The most notable processes include the [Energy Resource and Recovery Account](#) (ERRA) and the [General Rate Case](#) (GRC) proceedings. ERRA proceedings are used to determine fuel and purchased power costs which can be recovered in rates. The electric IOUs do not earn a rate of return on these costs, and only recover actual costs. The costs are forecast for the year ahead. If the actual costs are lower than forecast, then the electric IOU gives money back to customers, and vice versa. GRC proceedings are used to address the costs of operating and maintaining the electric system and the allocation of those costs among customer classes. For California’s electric IOUs, the GRCs are parsed into two phases. Phase I of a GRC determines the total amount the electric IOU is authorized to collect, while Phase II determines the share of the cost each customer class is responsible and the rate schedules for each class.

## Gas Rates

A typical residential SDG&E gas bill is comprised of three components:

1. **Procurement Costs** (cost of gas purchased by SDG&E for customers): 24% of costs
2. **Transportation Costs:** 72% of costs
3. **Public Purpose Surcharge & Other:** 4% of costs

SDG&E annually submits its Annual Gas True-Up Advice Letter in October, which is supplemented by its Consolidated Gas Rate Change Advice Letter implementing new gas rates from previously authorized CPUC Decisions, Resolutions, and Advice Letters. In December 2021, SDG&E submitted [Advice Letter 3046-G](#) with consolidated gas rate changes, which resulted in rate and bill impacts beginning on January 1, 2022.

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## SDG&E Gas Rate Increase Starting January 1, 2022

The primary drivers of SDG&E’s January 1, 2022, gas rate increase includes –

### 1. Procurement Costs:

- Procurement rates change each month through Advice Letter filings. Gas IOUs purchase largely fossil natural gas through wholesale markets, the costs of which fluctuate month-to-month based on national and global demand and supply for fossil natural gas.
- Fossil natural gas commodity prices in winter 2021-2022 have been significantly more expensive than winter 2020-2021, which has led to increases in bills. Volatility in the fossil natural gas wholesale market resulted in seasonally high prices caused by expanding global demand with tight supplies.
- The January 2022 procurement rate was \$0.84/therm, which was 110 percent more than the procurement rate in January 2021, and 30 percent higher than the December 2021 rate.

### 2. Gas Transportation and Delivery Costs:

- \$17.4 million increase in gas revenue requirement due to the amortization of gas regulatory account balances, 2022 Greenhouse Gas (GHG) revenue requirement and GHG allowance proceeds, and SoCalGas’ transportation costs allocated to SDG&E, as authorized by [D.20-02-045](#) and [AL 3024-G](#)
- \$13 million increase for SDG&E’s 2022 GRC Adjustment, authorized by [D.19-09-051](#) and [AL 3034-G](#)
- \$1.35 million decrease for revenue requirement adjustments, per GRC [D. 21-05-003](#), [AL 2997-G](#)

### 3. Public Purpose Surcharge & Other:

- \$5.97 million decrease due to the removal of 2018 income tax expenses resulting from the Tax Cuts and Jobs Act (TCJA) of 2017, authorized by [D.19-09-051](#) and [AL 2816-G](#)
- \$0.8 million decrease for Natural Gas Leak Abatement, per [Resolution G-3577](#)

Estimated Gas Bill Impacts <sup>1</sup>	SDG&E as of January 1, 2022
Average monthly residential non-CARE gas bill	\$46.76
Average monthly residential non-CARE gas bill increase	\$5.25 (12.6%)
Average monthly residential CARE gas bill	\$30.50
Average monthly residential CARE gas bill increase	\$3.58 (13.3%)

**\*Note:** In April 2022, SDG&E residential customers will receive a GHG climate credit of \$45.47 to offset GHG program costs included in the transportation rate, per [AL 3024-G](#).

<sup>1</sup> The estimated gas bill impacts above are for illustrative purposes. Because commodity prices and usage vary monthly, the annual average natural gas usage and price were used to illustrate the average estimated bill impacts of the gas transportation rate change. For this purpose, an average of 23 therms for non-CARE residential customers, 19 therms for CARE customers, and an annual average procurement cost of gas of \$0.495 per therm was used.



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Actual customers' bills in January 2022 were significantly higher than the illustrative bills shown above due to higher usage and higher prices of natural gas. The average bill for non-CARE SDG&E residential customers who consumed an average of 54 therms in January 2022 was \$124. The average bill for CARE residential customers who consumed an average of 34 therms was \$61.

## **Background – Gas Costs & Rates**

The CPUC determines the reasonableness of gas IOU operational costs, gas cost allocation among customer classes, and gas rate design. Unlike the process for electric utilities, the CPUC does not set an annual authorized revenue requirement for gas IOU procurement costs. Gas IOUs procure gas supplies for core gas customers (primarily residential and small commercial) only. Gas IOU procurement is subject to a sharing incentive under which they receive a financial benefit if they procure gas at costs below certain benchmarks and incur a penalty if procured at costs above the benchmarks. This mechanism provides gas IOUs with a financial incentive to purchase gas at prices that are close to or lower than average market prices. Core gas procurement costs are recovered in gas IOU procurement rates, which are adjusted monthly. The wholesale fossil gas price is the cost component with the greatest variability. Monthly changes in these prices on customer bills provide consumers with immediate price signals that they can use to adjust their gas consumption.

## **Additional Information**

### **Fossil Natural Gas Price Increases**

Fossil natural gas supply is a global commodity and perhaps more so than ever with the massive increase in liquified natural gas (LNG) import and export terminals at ports around the world and including in the United States. Fossil natural gas costs declined in 2020 due to the massive decrease in demand brought on by the COVID-19 pandemic. It took time for fossil natural gas supplies to ramp down to align with this lower demand. However, there was a massive spike in demand for fossil natural gas in 2021 as pandemic related economic conditions improved. Contributing price factors include –

Henry Hub Natural Gas Price in Dollars Per Million Btu (2017-2021)



Graph Source: [Natural Gas Prices - Historical Chart | MacroTrends](#)

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1. Fossil natural gas supply has not caught up with rising demand (i.e., production and storage are largely low nationally).
2. Cold weather hit the eastern United States in early January 2022, pulling supply to the east.
3. In Southern California, an outage on the El Paso gas transmission pipeline has made prices more volatile on days when fossil natural gas supplies are tight.

To illustrate fossil gas wholesale market prices, between 2020 and 2021 Henry Hub (i.e., a major pipeline pricing point) fossil natural gas prices increased by 79%, 219% and 75% for the months of August, September, and October, respectively. The wholesale price of fossil natural gas drives California's natural gas price trends and rates.

## Low-Income Energy Management & Bill Assistance Programs

1. **California Alternate Rates for Energy (CARE)** – This program offers a 30-35% discount on electric bills and a 20% discount on gas bills. More information - <https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/california-alternate-rates-for-energy>
2. **Family Electric Rate Assistance (FERA)** – This program offers an 18% discount on electric bills if household income slightly exceeds CARE allowances. More information - <https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/family-electric-rate-assistance-program>
3. **Energy Savings Assistance (ESA)** – This program provides no-cost weatherization services to customers who meet the CARE income limits. Services include attic insulation, energy-efficient refrigerators, energy-efficient furnaces, weatherstripping, caulking, low-flow showerheads, water heater blankets, and door and building envelope repairs which reduce air infiltration. More information - <https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/energy-savings-assistance>
4. **Low-Income Home Energy Assistance Program (LIHEAP)** – This program provides weatherization services and cash to help low-income customers pay their bills. LIHEAP can offer a one-time payment to help customers pay heating or cooling bills or in an emergency, such as a utility disconnection. LIHEAP can also provide in-home weatherization services for improved energy efficiency, and health and safety. More information - <https://www.csd.ca.gov/Pages/Assistance-PayingMyEnergyBills.aspx>
5. **Emergency Assistance Programs** - Some gas and electric IOUs offer cash assistance and special payment plans to consumers facing financial hardship. Programs vary based on electric and gas IOU. More information - <https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/utility-company-emergency-assistance>

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## Customer Energy Management Programs

In addition to the low-income energy programs outlined above, the CPUC oversees dozens of customer programs offered in the electric and gas IOU territories by providers. These programs are aimed at reducing electric and gas bill costs, greenhouse gas emissions and criteria air pollution, while improving electric and gas service reliability and resiliency. More information about these programs can be found at the link below. However, customers should contact their local electric and gas IOU and/or their community choice aggregator for a comprehensive suite of customer energy management program offerings that may include direct incentives, low-cost financing, and other opportunities.

More information - <https://www.cpuc.ca.gov/consumer-support/consumer-programs-and-services/electrical-energy-and-energy-efficiency>

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