



**Sempra (SoCalGas and SDG&E) Advice Letters (Gas Service)** – SoCalGas and SDG&E filed their Annual Consolidated Rate Update Advice Letters<sup>1</sup> on December 27, 2022, consolidating all CPUC-authorized changes to the revenue the two utilities need to operate and the corresponding changes to gas transportation rates customers pay, effective January 1, 2023. The Consolidated advice letters reflect an increase in revenues of \$500 million for SoCalGas and \$83 million for SDG&E for gas transportation and delivery costs (not including commodity costs determined separately in the unregulated gas market). The increase is mainly due to approvals in Sempra’s General Rate Case (GRC) decisions in 2019 and 2021 going into effect, which authorized increases to rates in 2023 for operational expenses and the annual regulatory account balance update including Green House Gas (GHG) program costs. The GHG program costs will be partially offset when SoCalGas and SDG&E residential non-CARE and CARE customers receive the GHG climate credit in April 2023.

The percentage increases in the table below are total bill impact based on annual averages (January to December 2022), including both annual average commodity prices (held constant to calculate the isolated impact of these transportation and delivery rate increases) as well as annual average customer demand.

**Estimated Average residential bill impacts effective January 1, 2023:**

| <b>Estimated Bill Impact<sup>2</sup> – Consolidated Rate Update</b>   | <b>SDG&amp;E<br/>Jan 1, 2023</b> | <b>SoCalGas<br/>Jan 1, 2023</b> |
|---|----------------------------------|---------------------------------|
| ➤ Average monthly residential non-CARE gas bill                       | \$59.83 <sup>3</sup>             | \$75.84 <sup>4</sup>            |
| ➤ Average monthly residential non-CARE gas bill increase <sup>5</sup> | \$3.85 or 7%                     | \$5.42 or 8%                    |
| ➤ Average monthly residential CARE gas bill                           | \$37.98 <sup>6</sup>             | \$44.21 <sup>7</sup>            |
| ➤ Average monthly residential CARE gas bill increase <sup>8</sup>     | \$2.20 or 6%                     | \$3.51 or 9%                    |

<sup>1</sup> SoCalGas and SDG&E filed Advice Letters 6071 and 3149 on December 27, 2022, pending approval.

<sup>2</sup> The bill impacts include updated Public Purpose Program (PPP) surcharge rates: SoCalGas AL 6052-G, SDG&E AL 3137-G

<sup>3</sup> Bill estimate assumes an average monthly consumption of 24 therms in a month for Non-CARE, and an average annual procurement rate of \$0.1915/therm for Jan-23.

<sup>4</sup> Bill estimate assumes an average monthly consumption of 36 therms in a month for Non-CARE, and an average annual procurement rate of \$0.2885/therm for Jan-23.

<sup>5</sup> The increase is in comparison to the monthly 2022 bill based on average procurement and consumption.

<sup>6</sup> Bill impacts based on an average monthly consumption of 20 therms in a month for CARE.

<sup>7</sup> Bill impacts base on an average monthly consumption of 27 therms in a month for CARE.

<sup>8</sup> Same as Footnote 4.

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The bill estimates based on the actual commodity price can be higher than the average bills listed above. Gas commodity prices this winter will be much more expensive than last winter, potentially close to 100% more on a per therm basis which will lead to higher increases in customer bills over the winter months.<sup>9</sup> The price of natural gas is determined by broader regional and national markets, impacted globally, and passed on directly to customers without any markup or profit to the utility. The procurement rate increased from 83.569 cents per therm in January 2022 to 344.892 per therm on January 1<sup>st</sup>, 2023. The bill in the table<sup>10</sup> below compares the total bill impacts based on actual January 2023 commodity prices with the actual January 2022 commodity price. The winter per month usage is generally higher than average annual per month usage.

| Actual Residential Monthly Bill Impacts<br>effective January 1, 2022 vs Jan 1, 2023: |             |             |
|--|-------------|-------------|
|  | Jan 1, 2022 | Jan 1, 2023 |
| <b>Non-CARE</b>  |             |             |
| SoCalGas (based on 64 therms per month)  | \$123.52    | \$299.77    |
| SDG&E (based on 44 therms per month)   | \$103.81    | \$225.13    |
| <b>CARE</b>  |             |             |
| SoCalGas (based on 46 therms per month)  | \$66.40     | \$167.20    |
| SDG&E (based on 32 therms per month)   | \$59.40     | \$131.37    |

SoCalGas and SDG&E's Advice Letters will consolidate several previously approved advice letters and decisions that reflect authorized gas revenue and rate changes, and are estimated as follows:

**1. SoCalGas:**

- Annual Regulatory Account Balance Update: revenue increase of \$258 million by Advice Letter 6045.<sup>11</sup>

<sup>9</sup> General volatility in the natural gas market resulting in seasonal high prices is caused by expanding global demand with supply being unable to keep up with the demand.

<sup>10</sup> SoCalGas and SDG&E provided estimated January bill impacts to Energy Division on December 29, 2022.

<sup>11</sup> Core Fixed Cost Account (CFCA), Advanced Meter Infrastructure Balancing Account (AMIBA), Residential Uncollectible Balancing Account (RUBA), Liability Insurance Premium Balancing Account (LIPBA), Greenhouse Gas Balancing Account (GHGBA), and Other Regulatory Accounts.

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- Implementation of revenue requirement adjustments for 2023 GRC and cost of capital adjustment: \$109 million increase - D.19-09-051, D.21-05-003 D.22-12-031, and Advice Letter 6044.
- Revenue requirement adjustment pursuant to Internal Revenue Service Private Letter Ruling:<sup>12</sup> \$57 million increase – D.19-09-051 and Advice Letter 6018.
- Storage integrity management program, on-bill financing:<sup>13</sup> \$40 million increase - Advice Letters 6023,5853, and D.22-08-011.
- Other adjustments (updated embedded cost studies transmission, SoCalGas/SDG&E system wide rate adj.): \$36 million increase - D.21-07-019, AL 5907.

## 2. SDG&E:

- Annual Regulatory Accounts Update: revenue increase of \$32.4 million by Advice Letter 3129-G.<sup>14</sup>
- Implementation of revenue requirement adjustments for 2023 GRC with cost of capital adjustment: \$18 million increase - D.19-09-051, D.21-05-003,D.22-12-031 and Advice Letter 3128.
- Revenue requirement adjustment pursuant to Internal Revenue Service Private Letter Ruling: \$4.5 million increase - D.19-09-051 and AL 3113-G.
- Cost recovery of Customer Information System Balancing Account (CISBA) costs: \$28.6 million increase - AL 3039-G.
- Transition, Stabilization, and Organizational Change Management (OCM) Balancing Account(TSOBA) costs: \$10.8 million increase - AL 3040-G and Resolution E-5214.
- Other Adjustments (updated embedded cost studies transmission, SoCalGas/SDG&E system wide rate adjustments): \$11 million decrease - D.21-07-019 and AL 3042.

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<sup>12</sup> SoCalGas is adjusting the revenue requirement to include or exclude certain costs from the Average Rate Assumption Method (ARAM) calculation. to be consistent with the IRS's tax normalization rules.

<sup>13</sup> On-bill financing charge: modified the loan limits for business customers, aligned multifamily loan limits between energy efficiency (EE) and low-income Energy efficiency programs and increased the on-bill financing loan pool.

<sup>14</sup> Core Fixed Cost Account (CFCA), Master Meter Balancing Account (MMBA), New Environmental Regulatory Balancing Account (NERBA), LIPBA, and Other Regulatory Accounts.