



January 19, 2023

Honorable Rob Bonta
Attorney General California
1300 I Street
Sacramento, CA 95814

Honorable Hydee Feldstein Soto
200 N. Main Street #800
Los Angeles, CA 90012

RE: Investigation of So Cal Gas Over Natural Gas Prices

Dear Attorney General Bonta and City Attorney Soto,

On behalf of Consumer Watchdog and Southern California Gas customers, I am calling upon on you to launch an investigation into Southern California Gas's role in the recent dramatic increases in the costs of natural gas and its parent company SEMPRAs role in the cost increases.

Southern California Gas doubled consumers' natural gas bills with virtually no notice, leaving its customers with large, unexpected bills. They are now forced to choose between paying their utility bills and their rent, food costs, and other monthly obligations with no warning.

The doubling of natural gas prices is unique to California. While the utility has made natural gas available to its customers as it is required to do, it has purchased gas at unreasonably high prices, with higher profits for So Cal Gas's parent company SEMPRAs, that sells natural gas to So Cal Gas through its other subsidiaries.

We believe So Cal Gas's conduct in implementing natural gas rate hikes may constitute an unfair business practice and we are calling upon you to investigate.

So Cal Gas offered no notice to many customers, including myself, of the double rate hike. It apparently emailed some customers notice after the January bills had been sent, prompting news stories about the hike. This did not give consumers time to prepare for a reduction in consumption that would have decreased their bills.

Most importantly, Southern Gas has deceived its customers about the fact that it is profiting from the increase in natural gas costs. So Cal Gas widely stated that "SoCalGas and SDG&E do not profit from gas commodity prices going up." (<https://www.consumerwatchdog.org/news-story/why-natural-gas-prices-and-bills-are-soaring-southern-california>)

In fact, SEMPRA, the parent company of both utilities, and its other subsidiaries, profits greatly from the increase in natural gas prices and that benefits So Cal Gas's management financially as well – which is rewarded for feeding the cash cow that is SEMPRA. Put another way, would it be an unfair business practice if a plumber charged a consumer double for piping, claiming he has no financial interest in the added costs of the pipe and is just passing those costs along, and neglects to mention his father owns the piping company.

There are many red flags in this situation that warrant an investigation. These are the questions that they raise:

- 1) Did So Cal Gas fail to notify its customers in a timely way in order to drive up natural gas sales for SEMPRA's subsidiaries? Without adequate notice, customers would use more gas and SEMPRA subsidiaries would make more money.
- 2) Does So Cal Gas have a duty to acknowledge its financial relationship with SEMPRA and its other subsidiaries as sellers of natural gas to the utility? How much did SEMPRA profit from selling gas to So Cal Gas at increased costs?
- 3) What role did SEMPRA and its subsidiaries play in the doubling of natural gas prices on the West Coast. Natural gas prices in the East are significantly less than West Coast prices. Did SEMPRA deplete inventories to drive up the price on the West Coast, knowing it had a guaranteed market for higher price gas from its subsidiary utilities?
- 4) What role did SoCal gas play in the scarcity of natural gas for its customers? Evidence shows that So Cal gas did not adequately purchase gas for the 2022 – 2023 season. Ordinarily the utility would purchase, transport and store ahead of the season to plan for winter surges. This failure of planning created conditions where it had to buy from its parent company SEMPRA's subsidiaries on the spot market at twice the normal price, passing the costs on to its customers.

As these issues involve the overlapping jurisdictions of the California Public Utilities (PUC) Commission, Independent Systems Operator (ISO) and Federal Energy Regulatory Commissioner, (FERC), we believe your offices are the most appropriate to investigate.

We appreciate your attention to this matter and offer any assistance we can.

Sincerely,



Jamie Court
President, Consumer Watchdog
(310) 874-9989