



PUBLIC UTILITIES COMMISSION

STATE OF CALIFORNIA

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ALICE BUSCHING REYNOLDS
PRESIDENT

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March 8, 2023

RE: Natural Gas Prices in California

By ELECTRONIC TRANSMISSION

Dear Senator Feinstein,

Thank you for your February 6, 2023, letter regarding the volatility of natural gas prices in California and its impact on residential energy bills.

We share your concern regarding the increase in wholesale natural gas prices this winter that have impacted customer energy bills in California and across the West. While the CPUC does not regulate gas prices or gas producers, given the impact of these high prices on ratepayer bills, we have taken actions to provide immediate relief to customers and to examine the multifaceted causes behind the extraordinary prices.

On February 2, 2023, the CPUC voted to accelerate the disbursement of the California Climate Credit of roughly \$90 to \$120 to Pacific Gas and Electric, Southern California Edison, San Diego Gas & Electric, and Southern California Gas residential customers as soon as practicable, and starting no later than March 1, 2023. The California Climate Credit is a bill credit distributed to customer bills from the auction proceeds of California's Cap-and-Trade Program. The Decision also directs Bear Valley, Liberty, and Pacificorp to provide their residential customers with an accelerated bill credit starting no later March 1, 2023.

The CPUC, in coordination with the California Energy Commission and California Independent System Operator, also hosted an en banc hearing on February 7, 2023, to conduct a preliminary fact-gathering effort into the surge in natural gas prices. The en banc convened market experts, regulators, and ratepayer advocates to discuss a wide range of topics, from possible drivers behind the high natural gas prices, impacts these natural gas prices are having on electricity market prices, and strategies to address natural gas volatility within the CPUC's jurisdiction.

At the en banc, there was general agreement that unusually cold weather early in the winter season, outages on multiple interstate pipelines, and low storage inventories in the west have been contributing factors behind the natural gas price increases. Speakers at the en banc also pointed to low levels of storage at independent gas storage facilities at the start of the winter season as playing a role, and some experts noted that the longevity of the high gas price levels was an extraordinary occurrence that might indicate structural problems with the market needing investigation by the Federal Energy Regulatory Commission (FERC).

Building on the facts gathered at the en banc, on March 7, 2023, the CPUC issued a proposed order initiating a proceeding to examine: the causes and impacts of this winter's gas price spikes; the impact of the gas price spikes on gas and electric prices and gas and electric customer bills; potential threats to gas and electric reliability and price volatility in summer 2023 and beyond; and potential mitigations. The proceeding would also examine utility communications to customers to determine whether they were sufficient or require modifications. The proposed order will be voted on at the March 16, 2023, CPUC voting meeting.

Further, Governor Newsom sent a letter to the FERC on February 6, 2023, urging a federal investigation of high natural gas prices and stating that the root causes warrant further examination. In the letter, the Governor requested that FERC immediately focus its investigatory resources on assessing whether market manipulation or anticompetitive behavior was driving the sustained high natural gas prices. In response, FERC stated they are conducting surveillance to determine whether any market participants engaged in behavior that contributed to, or took advantage of, the high gas prices. The CPUC will be carefully monitoring any actions taken by FERC.

Thank you for your attention to this critical issue that impacts California ratepayers. Should you have further questions please contact Grant Mack, Director of Governmental Affairs, at grant.mack@cpuc.ca.gov and (415) 918-1757.

Sincerely,

A handwritten signature in blue ink that reads "Alice Busching Reynolds". The signature is fluid and cursive, with the first name "Alice" being the most prominent.

Alice Busching Reynolds
President
California Public Utilities Commission