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January 26, 2023

Alice Reynolds, President  
California Public Utilities Commission (CPUC)  
505 Van Ness Avenue  
San Francisco, CA 94102  
**VIA EMAIL**

David Hochschild, Chair  
California Energy Commission (CEC)  
715 P Street  
Sacramento, CA 95814  
**VIA EMAIL**

**Re: Natural Gas Price Spikes**

Dear President Reynolds and Chair Hochschild:

As the Chair of the Senate Committee on Energy, Utilities, and Communications, I write to express my deep concerns regarding the staggering winter season natural gas price surges impacting California consumers of natural gas and electricity utility service. I urge both agencies to work together to: (1) thoroughly investigate the causes of the price surges, including engaging all relevant state and federal agencies and entities; (2) take immediate and longer-term actions to help protect Californians from natural gas price surges; and (3) share your findings with the Legislature and public.

**Californians are experiencing utility bill sticker shocks.** Natural gas prices have surged this winter resulting in dramatically more costly customer utility bills, as noted by numerous news stories. According to the Energy Information Administration's (EIA's) *Natural Gas Weekly Update* dated December 22, 2022, the daily spot market prices reached their highest levels in over two decades at major trading hubs that deliver natural gas into California. Specifically, these price surges include over \$50.00 per million British thermal units (MMBtu) at Pacific Gas & Electric (PG&E) City Gate and Malin, Oregon, as well as, a four-year record for SoCal CityGate of nearly \$50 per MMBtu on December 13. These prices compare to the

national benchmark price at Henry Hub which was declining at the same time to \$6.60 MMBtu – a staggering over \$40 per MMBtu price difference between the West Coast and other trading hubs in the nation. According to the CPUC’s own analysis, the procurement rate for natural gas this month is over 300 percent more than the procurement rate a year ago in January 2022. These costs are passed through directly to utility customers (as utilities are prohibited from marking up the price of the commodity) and are resulting in customers experiencing natural gas utility bill shocks in this month’s billing cycle, and likely continuing to February and possibly beyond. Although the daily spot market prices have decreased since December’s spikes, they still remain high in the West, according the EIA’s most recent *Natural Gas Weekly Update* (dated January 25, 2023).

**California’s energy agencies must immediately investigate the causes of these price surges.**

I support President’s Reynolds statement that the CPUC would investigate the cause of these price surges. I urge both agencies to work together to fully investigate the causes of these price surges, including consideration for unexplained market activities, unjustified infrastructure maintenance activities, as well as, any unintended impacts from CPUC utility operation rules. While a rise in global demand for natural gas (especially liquefied natural gas due to the impacts of Russia’s invasion of Ukraine) and the regional effects of colder-than-normal temperatures this winter are likely contributing to higher prices, these causes alone do not fully explain the differences between prices on the West Coast and those in other parts of the nation. According to the EIA, additional factors for West Coast higher prices include: reduced natural gas flows, pipeline constraints (including maintenance in a west Texas pipeline), and low regional natural gas storage inventories. As part of the investigation, I urge you to include whether CPUC rules related to operational flow orders or changes to the accounting of operational gas (as alluded to by the EIA) may be inadvertently contributing to price surges. Additionally, I request your agencies engage California’s electric utilities and providers to address their customers’ specific concerns, since the increased costs of natural gas will also impact electric utility bills, as natural gas continues to be an important source of electricity generation. I welcome President Reynold’s commitment to engage the Federal Energy Regulatory Commission (FERC) who has critical regulation of interstate natural gas transportation and pipeline facilities. Moreover, I look forward to the findings of your investigation, including any unexplained and unjustified causes contributing to price surges, as well as, any identified solutions that may necessitate Legislative and/or federal action to help prevent future price spike events.

**California energy agencies should ensure any tools within our immediate control are utilized to help buffer consumers from high natural gas utility bills this winter.**

In this regard, I support the proposal to accelerate the issuance of the Climate Credit for natural gas utility customers, from April to the February utility bill cycle, to better coincide with the season when customers tend to experience the highest natural gas utility bills. According to the CPUC, this year’s Climate Credits for Southern California Gas customers are expected to be about \$50 issued on customers’ April utility bill. Moving the issuance date to the February utility bill cycle will help residential customers, especially our most vulnerable residents, receive this important financial support at a time when it is most beneficial to mitigate high natural gas utility bills.

Moreover, the additional support can help prevent customer debt that could lead to disconnections for essential utility service or force vulnerable Californians to make tough decisions between paying their utility bill or paying for other household essentials, such as rent, groceries or medications. Additionally, I encourage the CPUC to explore whether automatic utility bill payment leveling, as proposed by the Public Advocates Office, would provide the overall intended benefits to customers, especially low-income customers. I urge an exploration of whether bill payment leveling will both mitigate utility bill surges and provide the intended predictability for customers' budgeting beyond the winter season.

I urge your vigilance to ensure Californians receive the affordable, reliable, and safe utility service they deserve. I look forward to a response outlining the actions you intend to immediately take to address natural gas price surges. Thank you for your attention to this matter, should you have any questions, please contact my committee staff at [nidia.bautista@sen.ca.gov](mailto:nidia.bautista@sen.ca.gov) or (916) 651-4107.

Sincerely,



**STEVEN BRADFORD**

Senator, 35<sup>th</sup> District

cc: Members of the California State Senate Energy, Utilities, and Communications Committee  
CPUC Commissioners  
CEC Commissioners  
Rachel Peterson, Executive Director, CPUC  
Drew Bohan, Executive Director, CEC  
Christy Bouma, Secretary of Legislative Affairs, Office of Governor Newsom  
Hazel Miranda, Deputy Legislative Secretary, Office of Governor Newsom  
Grant Mack, Director, Office of Government Affairs, CPUC  
Anna Ferrera, Director, Office of Governmental and International Affairs, CEC  
Kip Lipper, Chief Policy Advisor, Senate President Pro Tempore Toni Atkins  
Kerry Yoshida, Republican Consultant, Senate Energy, Utilities, and Communications Committee