PUBLIC UTILITIES COMMISSION
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FILED
01/23/26
11:47 AM
I2303008

January 23, 2026

Agenda ID #23992
Quasi-legislative

TO PARTIES OF RECORD IN INVESTIGATION 23-03-008:

This is the proposed decision of Commissioner Karen Douglas. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's February 26, 2026 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:nd3
Attachment

Decision **PROPOSED DECISION OF COMMISSIONER DOUGLAS**
(Mailed 1/23/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets.	Investigation 23-03-008

DECISION REGARDING THE CAUSES AND CONTRIBUTORS TO THE 2022-2023 GAS PRICE SPIKE AND ADOPTING DIRECTIONS TO REDUCE THE LIKELIHOOD OR MITIGATE THE IMPACT OF FUTURE GAS PRICE SPIKES

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DECISION REGARDING THE CAUSES AND CONTRIBUTORS TO THE 2022-2023 GAS PRICE SPIKE AND ADOPTING DIRECTIONS TO REDUCE THE LIKELIHOOD OR MITIGATE THE IMPACT OF FUTURE GAS PRICE SPIKES

Summary

This decision determines that the following factors contributed to the 2022-2023 gas price spike: (1) prolonged below-normal temperatures and high precipitation levels; (2) interstate pipeline constraints; (3) reduced natural gas flows from the Permian Basin, Canada, and the Rocky Mountain region; (4) reduced natural gas storage supplies; and (5) events occurring before and during bidweek.

This decision considers whether any entity within the Commission's regulatory jurisdiction played a role in causing or contributing to the gas price spike. Based on the evidence presented, the decision does not find that California's gas public utilities — Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company, Southern California Gas Company (SoCalGas), Southwest Gas Corporation, Alpine Natural Gas Operating Company No. 1 LLC, and West Coast Gas Company took improper or intentional action that caused or contributed to the 2022-2023 gas price spike. In addition, the gas utilities' procurement divisions, PG&E Core Gas Supply and SoCalGas Gas Acquisition, did not improperly or intentionally cause or contribute to the gas price spike through prohibited affiliate transactions, their procurement contracts, or their storage injection and withdrawal decisions. Finally, the decision finds that Independent Storage Providers (ISPs) — Central Valley Gas Storage, LLC, Gill Ranch Storage, LLC, Lodi Gas Storage, L.L.C., and Wild Goose Storage, LLC — did not cause or contribute to the 2022-2023 gas price spike.

To mitigate the impact of a future gas price spike on California's gas ratepayers, the decision requires gas utilities to impose a cap on their Core Procurement Charge and to amortize any resulting undercollection. In addition, gas utilities must provide timely and adequate notice to their customers of a gas price spike event and information about resources. To clarify the conditions that would necessitate the cap and notice requirements, the decision defines a "gas price spike event" as a 150 percent increase in the monthly core procurement price relative to the 10-year average core procurement price for that month during the winter season (November-March).

The decision finds that specific changes to PG&E's Core Procurement Incentive Mechanism (CPIM) and SoCalGas's Gas Cost Incentive Mechanism could increase transparency, alignment, and stakeholder understanding, which, in turn, may mitigate the impact of a future price spike on California's gas ratepayers. Accordingly, the decision requires PG&E and SoCalGas to describe all aspects of their core procurement incentive mechanisms thoroughly and request approval of any shareholder award through the Commission's application process rather than through an advice letter. In addition, the decision sets deadlines for PG&E to submit its application for any shareholder reward and CPIM Report, as well as the Public Advocates Office of the California Public Utilities Commission to issue its *Monitoring and Evaluation Report*.

Finally, this decision aims to build on the lessons learned from the 2022-2023 gas price spike event. It directs PG&E and SoCalGas to incorporate the unique constraints (*e.g.*, interstate pipeline constraints, reduced natural gas flows, and reduced storage supplies) experienced during the 2022-2023 gas price spike into their internal procurement and hedging strategies. It also directs PG&E and SoCalGas to provide more information to noncore customers by

including base volume on their Pipe Ranger Storage Activity and Envoy webpages. Finally, to increase transparency, the decision requires ISPs to publicly report their monthly storage levels.

1. Background

The winter of 2022-2023 witnessed a surge in gas prices across California and the Western United States. Southern California Gas Company's (SoCalGas) customers saw an average 147 percent increase in their January 2023 gas bills compared to January 2022.[1] Pacific Gas and Electric Company's (PG&E) customers saw an average 30 percent increase in their January 2023 gas bills compared to January 2022.[2]

In response, the Commission granted the emergency motion of the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) to accelerate the disbursements of the gas and electric climate credits so customers could receive expedited bill relief.[3]

On February 7, 2023, the Commission also conducted an *en banc* hearing to gather insights into the reasons behind the surge in gas prices.[4] Panelists at the hearing largely agreed with the United States Energy Information Administration's (EIA) December 21, 2022 analysis that the following factors contributed to the extremely high gas prices: (1) pipeline constraints; (2) reduced

[1] High Natural Gas Prices in Winter 2022-23 (White Paper): Part I at 7.

[2] *Ibid*.

[3] Decision (D.) 23-02-014 at Ordering Paragraphs (OP) 1-8.

[4] Recording of the *en banc available at* https://www.adminmonitor.com/ca/cpuc/en_banc/20230207. *En banc* panelist presentations *available at* https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/meeting-documents/20230207-en-banc/gaselectricpricesenbanc_masterdeck-2022-02-07.pdf.

natural gas flows; (3) widespread, prolonged, below-normal temperatures; and (4) low storage inventories in the western United States.[5]

To assess whether market manipulation or other anomalies caused the winter gas price spikes, Governor Gavin Newsom asked the Federal Energy Regulatory Commission (FERC) at the U.S. Department of Energy to launch a formal investigation.[6] FERC has regulatory authority over the rates, terms, and conditions for the interstate transmission of gas and oversees wholesale transactions to ensure sales do not result in undue preferential treatment. As part of this authority, FERC monitors natural gas markets and oversees the operation of natural gas trading platforms and exchanges. It also has broad powers to investigate and penalize anti-competitive behavior.[7]

On March 20, 2023, the Commission issued this Order Instituting Investigation (OII) to:

> continue the Commission's fact-gathering effort; examine whether events are at play other than normal market forces; determine whether Commission action may provide relief; and consider whether other entities have jurisdiction to mitigate high natural gas prices.[8]

On April 19, 2023, the following parties provided opening comments on the OII: Alliance for Retail Energy Markets (AReM); Bear Valley Electric Company (Bear Valley); Cal Advocates; California Independent System Operator

[5] White Paper: Part I at 3.

[6] *Id*. at 7 (citing Letter from Gavin Newsom, Governor of California, to Willie Phillips, Chairman of FERC (Feb. 6, 2023), *available at* www.gov.ca.gov/wp-content/uploads/2023/02/Governor-Newsom-FERC-Letter-02.06.23.pdf).

[7] *See* 15 U.S.C. § 717c-1.

[8] Order Instituting Investigation 23-03-008 (OII) at 1-2.

Corporation (CAISO); California Municipal Utilities Association; Center for Accessible Technology (CforAT); Central Valley Gas Storage, LLC (CVGS); Environmental Defense Fund (EDF); Gill Ranch Storage, LLC (Gill Ranch); Northern California Power Agency; PG&E; Ruth Hendricks and Activist San Diego; Sierra Club; Small Business Utility Advocates (SBUA); SoCalGas and San Diego Gas & Electric Company (SDG&E); Southern California Edison Company (SCE); Southwest Gas Corporation (Southwest Gas); The Utility Reform Network (TURN); Utility Consumers' Action Network (UCAN); West Coast Gas Company (West Coast Gas); and Wild Goose Storage, LLC and Lodi Gas Storage, L.L.C. (Wild Goose and Lodi).

On April 21, 2023, the Commission issued a proposed decision modifying the OII to expand the respondents to ensure all gas storage providers, who are public utilities, were named. On May 11, 2023, Bear Valley, Liberty Utilities, LLC (Liberty), and PacifiCorp requested to be removed as respondents, which the Commission did not act on as this decision applies to them. Alpine Natural Gas Operating Company No. 1, LLC (Alpine) submitted additional comments on May 15, 2023. Liberty and PacifiCorp submitted additional comments on June 28, 2023.

On May 16, 2023, the Administrative Law Judge held a prehearing conference. On September 5, 2023, the assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo). The matters in the Scoping Memo are set forth in Section 2 below.

On September 11, 2023, the assigned Commissioner issued a ruling directing gas utilities to provide information about their actions and preparations to identify and mitigate potential impacts should a similar price spike occur over the 2023-2024 winter. The ruling also directed Independent Storage Providers

(ISPs) to answer questions and invited all parties to respond with relevant information. On September 26, 2023, opening comments were filed by AReM; EDF; SoCalGas and SDG&E; Southwest Gas; TURN; West Coast Gas; and Wild Goose and Lodi. On October 6, 2023, reply comments were filed by CforAT; PG&E; Sierra Club; TURN; and UCAN. On October 27, 2025, Alpine submitted opening comments on the September 11, 2023 assigned Commissioner's ruling in compliance with the October 21, 2025 Administrative Law Judge's ruling directing Alpine to respond.

On October 26, 2023, the Energy Division hosted a workshop on the causes of high natural gas and electricity prices during winter 2022-2023 and potential mitigation measures for the future. The Administrative Law Judge admitted a corrected *Gas Utility and Independent Storage Provider Preparations for Winter 2023-24 Workshop Report* into the record on April 25, 2024, which incorporated party comments.

On November 16, 2023, FERC publicly reported in an annual enforcement report that it was examining western wholesale natural gas and electricity market activity, starting in December 2022, to determine whether any market participants engaged in market manipulation or other violations.[9] FERC also stated that it had referred one market participant for investigation and continued, at that time, to analyze information to determine if other referrals were necessary.[10] FERC did not disclose the name of the market participant it referred for investigation.

[9] FERC, *2023 Report on Enforcement* (Nov. 16, 2023) at 80, *available at* www.ferc.gov/media/fy2023-report-enforcement.

[10] *Ibid*.

On December 15, 2023, the Commission's Energy Division directed PG&E, SDG&E, and SoCalGas to enhance their communication strategies, including opt-in text message alerts about high gas bills and energy-saving tips.[11]

On May 13, 2024, the assigned Commissioner issued a ruling amending the Scoping Memo to update the proceeding schedule and inviting comments on potential relief measures. On June 10, 2024, the Commission received 13 opening comments from CforAT; CVGS; EDF; Gill Ranch; PG&E; SBUA; SCE; Sierra Club; SoCalGas and SDG&E; Southwest Gas; TURN; UCAN; and Wild Goose and Lodi. On June 21, 2024, the Commission received eight reply comments from Gill Ranch; PG&E; SBUA; Sierra Club; SoCalGas and SDG&E; TURN; UCAN; and Wild Goose and Lodi.

On July 2, 2024, the Administrative Law Judge issued a ruling admitting the staff white paper "High Natural Gas Prices in Winter 2022-23: Part I" (White Paper: Part I) into the record and inviting party comments. On July 31, 2024, six parties submitted opening comments: CVGS; PG&E; SBUA; Sierra Club; TURN; and UCAN. On August 14, 2024, five parties filed reply comments: PG&E; SBUA; Sierra Club; SoCalGas and SDG&E; and UCAN. On February 13, 2025, the Administrative Law Judge admitted a revised White Paper: Part I into the record to respond to comments.

On November 21, 2024, FERC reported that its Division of Analytics and Surveillance "completed its analysis related to the Winter 2022/2023 Western Energy Price Spike without any additional referrals."[12] White Paper: Part II explains that, because FERC does not disclose the names of companies it

[11] White Paper: Part I at 3, n.1.

[12] FERC, *2024 Report on Enforcement* (Nov. 21, 2024) at 77, *available at* www.ferc.gov/news-events/news/ferc-issues-fiscal-2024-enforcement-report.

investigated without taking action, it is unknown whether the investigation is ongoing or which market participant was further investigated.[13]

On June 5, 2025, the Administrative Law Judge issued a ruling admitting the staff white paper "High Natural Gas Prices in Winter 2022-23: Part II" (White Paper: Part II) into the record and inviting party comments. On July 7, 2025, CVGS; Sierra Club; Wild Goose and Lodi; and PG&E submitted opening comments. On July 25, 2025, SoCalGas; SBUA; Sierra Club; PG&E; and Wild Goose and Lodi submitted reply comments. On October 28, 2025, the Administrative Law Judge admitted a revised White Paper: Part II into the record to respond to comments.

On October 6, 2025, the Administrative Law Judge issued a ruling admitting the staff white paper "High Natural Gas Prices in Winter 2022-23: Part III" (White Paper: Part III) into the record and inviting party comments. On October 14, 2025, the Administrative Law Judge issued a ruling updating White Paper: Part III to incorporate clarifications and corrections. On October 31, 2025, PG&E; SBUA; Sierra Club; SoCalGas; and TURN submitted opening comments. On November 14, 2025, PG&E; SBUA; Sierra Club; and SoCalGas submitted reply comments. On December 16, 2025, the Administrative Law Judge admitted a revised White Paper: Part III into the record to respond to comments.

1.1. Submission Date

This matter was submitted on December 16, 2025, upon the admission of the revised White Paper: Part III into the record.

[13] White Paper: Part II at 11-12.

2. Issues Before the Commission

This decision addresses all of the following issues identified in the Scoping Memo as the scope of this proceeding:

1. What factors caused or contributed to observed gas price increases beginning on November 1, 2022? This includes market fundamentals as well as other applicable factors.
2. Did any of the entities under the Commission's regulatory jurisdiction play a role in causing or contributing to the gas price increase in California border prices between November 1, 2022, and March 31, 2023?
3. What actions in this proceeding or other proceedings should the Commission or other entities take to avoid or minimize the likelihood of similar gas price spikes occurring in the future in California?
4. What actions should the Commission and/or other entities take to mitigate the harm to ratepayers if such gas price spikes do recur?
5. In addition to the information currently in the record, is there any additional information that the Commission should collect or examine to further understand market dynamics that caused or contributed to the gas price spikes?
6. What are the gas and electric market interactions that affected, during the gas price spikes, and affect, currently, costs to consumers that the Commission should examine and/or investigate?
7. Were the utility communications prior to and during the gas price spikes, to customers about the high gas prices timely and adequate and are there improvements regarding customer communications that should be made by the utilities in the event of future similar gas price spikes?
8. What are the indicators that the utilities observed in the months leading up to the gas price spikes that could have signaled a potential problem, and when were they

observed? How and when did the utilities take actions in response to these indicators, including through customer notifications?

9. What lessons were learned from the gas price spikes?
10. Based on the lessons learned, what proactive actions should the utilities be taking to monitor and identify, as early as practicable, potential for gas price spikes and provide early notice to customers in the future?

3. Factors that Caused or Contributed to the Gas Price Spike

According to the Natural Gas Wellhead Decontrol Act of 1989, neither the Commission nor FERC may exercise regulatory authority over the price of the natural gas commodity.[14] Instead, natural gas commodity prices largely reflect supply and demand variables.[15] When there are abundant supplies and low demand, commodity prices typically drop. Low supplies and high demand can have the opposite effect.

As discussed in Sections 3.1-3.4, the EIA, as well as many parties to this proceeding, state that four factors altered gas and supply dynamics and impacted gas commodity prices: (1) widespread, below-normal temperatures; (2) pipeline constraints; (3) reduced natural gas flows; and (4) low storage inventories in the western United States.[16] White Paper: Part I also identified the timing of core purchasing as a potential factor, which is discussed in Section 3.5.[17]

[14] White Paper: Part I at 15-16.

[15] *Id*. at 16.

[16] *Id*. at 3.

[17] *Id*. at 45.

3.1. Impact of Below-Normal Temperatures on California's Demand

Weather played a "significant part of the story in winter 2022-2023," according to White Paper: Part I.[18] From November 2022 to March 2023, the state experienced "sustained cold" and "high precipitation levels, which can increase gas heating demand as wet buildings lose heat more quickly than dry ones."[19] White Paper: Part I noted that temperature and other factors, including precipitation, may affect core demand.[20] In comments, the CAISO also noted "that gas prices tend to spike due to colder weather."[21]

Consistent with these observations, core gas demand in the PG&E and SoCalGas territories was the highest since the last cold weather event, which occurred in winter 2012-2013.[22] PG&E reported a 15 percent increase in core gas demand over the five-year average.[23] SoCalGas and SDG&E reported a 24 percent increase in November 2022 demand for residential and commercial building space heating relative to the five-year average throughout their service territories.[24] In total, demand over the entire winter season (November 1, 2022, through March 31, 2023) in SoCalGas's and SDG&E's territories was over 186 million standard cubic feet per day (MMcfd) higher than the five-year average, with residential and commercial building space heating up 12 percent

[18] *Id*. at 39.

[19] *Id*. at 40.

[20] *Id*. at 41.

[21] CAISO Comments on OII at 9.

[22] White Paper: Part I at 41.

[23] PG&E Comments on OII at 3-4.

[24] SoCalGas and SDG&E Comments on OII at 12.

and gas used for electricity production up 14 percent, relative to the five-year average.[25]

Sierra Club disputes that cold weather contributed significantly to the winter price spikes.[26] Specifically, Sierra Club claims that SoCalGas's territory "experienced fewer than average cold days during the 2022-2023 season."[27] Moreover, Sierra Club alleges that SoCalGas had "18 days of high sendout during [winter 2022-2023], much higher than average."[28]

Sierra Club's claims were explored in White Paper: Part I. Specifically, White Paper: Part I recognizes that the winter of 2022-2023 was slightly less cold in SoCalGas's territory than the winter of 2012-2013, which did not have a gas price spike.[29] However, winter 2022-2023's weather was characterized by sustained cold, beginning in November and lasting into March.[30] Winter 2022-2023 also experienced high precipitation, which can increase gas heating demand because wet buildings lose heat more quickly than dry ones.[31]

Sierra Club's claims are also based on counting the number of days below 50 degrees Fahrenheit.[32] As explained in White Paper: Part I, heating degree days are an indicator of space-heating demand.[33] A heating degree day for a single day equals 65 degrees Fahrenheit minus the average of the highest and

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[25] *Ibid*.

[26] Sierra Club Comments on OII at 3.

[27] *Ibid*.

[28] *Ibid* at 3.

[29] White Paper: Part I at 41.

[30] *Id*. at 40.

[31] *Id*. at 40.

[32] Sierra Club Comments on OII at 3, Figure 1.

[33] White Paper: Part I at 4, n.11.

lowest hourly temperatures for the day, if greater than or equal to zero.[34] Because White Paper: Part I bases its analysis on heating degree days, we are persuaded that customers in SoCalGas's service territory experienced sustained cold weather during winter 2022-2023.

Accordingly, we find that prolonged below-normal temperatures and high precipitation during winter 2022-2023 contributed to higher gas prices in California by increasing demand.

3.2. Impact of Pipeline Constraints on Supply

California receives its pipeline gas supplies through eight *inter*state pipeline systems, including the El Paso Natural Gas Company's transmission system.[35] The interstate pipelines connect to the PG&E and SoCalGas *intra*state gas transmission pipeline systems (commonly referred to as California's "backbone" transmission system).[36] Gas on the utilities' backbone transmission systems is delivered to local transmission and distribution systems or natural gas storage fields.[37]

On August 15, 2021, the El Paso Line 2000, which transports natural gas from the Permian Basin to Southern California, ruptured, resulting in fatalities.[38] It remained out of service until February 2023, during which time officials from the federal Pipeline and Hazardous Materials Safety Administration and the

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[34] *Ibid*.

[35] The eight pipelines are: (1) Ruby Pipeline LLC; (2) El Paso Natural Gas Company; (3) Kern River Transmission Company; (4) Mohave Pipeline Company; (5) Gas Transmission Northwest LLC; (6) Transwestern Pipeline Company; (7) Tuscarora Pipeline; and (8) the Baja Norte/North Baja. (White Paper: Part I at 9.)

[36] White Paper: Part I at 9.

[37] *Ibid*.

[38] White Paper: Part I at 13, 17, 27.

National Transportation Safety Board investigated the incident.[39] Additionally, unplanned maintenance was conducted on the El Paso North Mainline from December 2022 through January 2023, reducing the available capacity that supplies SoCalGas's Northern System.[40] Maintenance was also performed on the Gas Transmission Northwest system, which supplies the PG&E system, on December 6 and 7, 2022.[41]

The El Paso Line 2000 outage, coupled with capacity reductions from maintenance activities, created supply constraints that Cal Advocates, CAISO, PG&E, SCE, SDG&E, SoCalGas, and Southwest Gas assert contributed to the surge in natural gas prices during the winter of 2022-2023.[42] These incidents primarily affected SoCalGas's Southern System by reducing the supply available for entry into Southern California.[43] SoCalGas states that it relies heavily on the El Paso Natural Gas Company's transmission system because the Southern System lacks storage assets and has less access to flowing supplies.[44] White Paper: Part I also explains that localized surges in demand or pipeline constraints may cause prices to diverge across regions.[45]

[39] *Id*. at 13, 27.

[40] *Id*. at 32.

[41] *Ibid*.

[42] Cal Advocates Comments on OII at 2; SCE Comments on OII at 2; PG&E Comments on OII at 4; CAISO Comments on OII at 8; SoCalGas and SDG&E Comments on OII at 6, 15-17; Southwest Gas Comments on OII at 4.

[43] White Paper: Part I at 32.

[44] SoCalGas and SDG&E Comments on OII at 17.

[45] White Paper: Part I at 17.

Based on the record, as set forth in White Paper: Part I and party comments, we find that interstate pipeline constraints contributed to the gas price spike by reducing the supply of natural gas in California.

3.3. Impact of Reduced Natural Gas Import Capability on California's Supply

California is geographically positioned near the end of the interstate pipeline system and lacks a native natural gas supply equivalent to its demand.[46] The state currently receives approximately 30 percent of its imported gas supplies from Western Canada, 30 percent from the Rocky Mountain region, 30 percent from the San Juan Basin in New Mexico and Colorado, and 10 percent from the Permian Basin in Texas and New Mexico.[47] California's dependence on natural gas imports from other countries and states makes it vulnerable to geopolitical and weather events beyond its borders.[48]

Before the winter of 2022-2023, the Western United States, including California, experienced a prolonged drought, which increased demand for gas-fired electric generation in California due to reduced hydroelectric imports from the Pacific Northwest into California.[49] Also, on February 24, 2022, Russia invaded Ukraine, leading to increased exports of the United States' liquified natural gas (LNG) to Europe.[50]

During winter 2022-2023, the Western United States and Canada experienced below-normal temperatures, which increased natural gas demand in

[46] CAISO Comments on OII at 8.

[47] White Paper: Part I at 35.

[48] *Ibid*.

[49] White Paper: Part I at 4; *see also* CAISO Comments on OII at 8; PG&E Comments on OII at 3.

[50] White Paper: Part I at 3, 27.

regions outside California's borders.[51] SoCalGas and SDG&E reported that Canadian and Rocky Mountain supplies declined in December 2022, which affected supplies in the Pacific Northwest and Northern California.[52] SoCalGas and SDG&E attribute these supply constraints to increases in Western Canadian demand resulting from colder-than-normal temperatures that began in November.[53]

In contrast to the Western United States and Canada, the eastern United States had a mild winter overall and low demand.[54] However, Winter Storm Elliot caused record cold temperatures across the Northeast, Midwest, and Southwest from December 21 to December 26, 2022.[55] The storm interrupted natural gas production and shut down dozens of power plants, while simultaneously increasing gas demand to an all-time daily record level in the United States on December 23, 2022.[56]

Based on this record, as set forth in White Paper: Part I and party comments, we find that reduced natural gas flows into California, primarily from the Permian Basin, Western Canada, and the Rocky Mountain region, contributed to high gas prices during the winter of 2022-2023 by reducing California's flowing natural gas supply. In addition, natural gas shortages and high prices in the eastern United States contributed to elevated national gas prices during Winter Storm Elliot.

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[51] *Id*. at 17; CAISO Comments on OII at 8; Southwest Gas Comments on OII at 3.

[52] SoCalGas and SDG&E Comments on OII at 14.

[53] *See* SoCalGas and SDG&E Opening Comments on September 11, 2023 Assigned Commissioner's Ruling (ACR) at 4.

[54] White Paper: Part I at 17.

[55] *Id*. at 33.

[56] *Ibid*.

3.4. Impact of Low Storage Inventories in the Western United States on Supply

In addition to imported pipeline gas supplies, California's gas utilities rely on gas retained in storage facilities to meet customer demand.[57] Stored gas is needed to meet discrepancies between supply and total daily demand on cold winter days. Gas in storage can also respond more rapidly to sudden demand fluctuations than pipeline gas because of the proximity of storage fields to load centers.[58] There are 12 gas storage facilities in California — five owned by ISPs, three owned by PG&E, and four owned by SoCalGas.[59] All five ISPs are located in Northern California.[60]

During winter 2022-2023, storage levels were lower than the five-year average.[61] SoCalGas's storage inventory was at a six-year high at the start of the gas winter season on November 1, 2022.[62] However, storage levels on the SoCalGas system declined rapidly due to early-season cold weather, resulting in demand exceeding the five-year average.[63]

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[57] *Id*. at 9-10.

[58] *Id*. at 10.

[59] White Paper: Part I at 10. The five ISPs are: (1) Wild Goose Gas Storage (owned by Rockpoint Gas Storage); (2) Lodi Gas Storage (owned by Rockpoint Gas Storage); (3) Kirby Hills Gas Storage (owned by Rockpoint Gas Storage); (4) Central Valley Gas Storage (owned by Caliche Development Partners, LLC); and (5) Gill Ranch Gas Storage facility (75 percent owned by Gill Ranch Storage, LLC and 25 percent owned by PG&E). PG&E owns McDonald Island, Los Medanos, and Pleasant Creek storage facilities. SoCalGas owns Aliso Canyon, Honor Ranch, La Goleta, and Play del Rey storage facilities.

[60] White Paper: Part I at 10-11.

[61] OII at 6; *see also* White Paper: Part I at 28.

[62] White Paper: Part I at 35.

[63] OII at 6; *see also* SoCalGas and SDG&E Opening Comments on OII at 4, 18 (noting SoCalGas's storage inventory was at six-year-high at start of winter season and was nearly full at 88 billion cubic feet (Bcf)).

In addition, the Commission limited storage levels at SoCalGas's Aliso Canyon Storage Facility to a storage limit needed to support customer peak demand and system balancing.[64] The Commission's Energy Division also implemented an Aliso Canyon Withdrawal Protocol that defined the circumstances in which gas could be withdrawn from the field.[65] The limited capacity resulted in SoCalGas suspending its Unbundled Storage Program, which provides unbundled firm or interruptible storage service to noncore customers, including electric generators.[66] SoCalGas suspended the program because there was not enough gas inventory capacity to support it.[67] In an August 2023 decision in which the Commission granted in part the petition of SoCalGas and SDG&E to increase interim storage inventory at the Aliso Canyon Storage Facility, the Commission noted the representation of SoCalGas and SDG&E that making storage capacity available for the Unbundled Storage Program would increase the amount of natural gas inventory available to the market and dampen price volatility.[68]

In Northern California, PG&E reclassified 51 billion cubic feet (Bcf) of working gas to base gas at its McDonald Island storage facility on June 11, 2021.[69] PG&E explained that it reclassified its storage service offerings as part of its

[64] White Paper: Part I at 14.

[65] *Ibid*.

[66] D.23-08-050 at 8.

[67] *Id*. at 8; *see also* White Paper: Part I at 4, n.9 and n.14.

[68] D.23-08-050 at 14.

[69] White Paper: Part I at 29, 37. Working gas refers to the amount of gas in a storage facility that can be withdrawn for use. In contrast, base gas is the portion that must remain in the facility to maintain sufficient pressure and ensure withdrawal capability.

Commission-approved Natural Gas Storage Strategy.[70] PG&E also stated that increasing the amount of base gas was intended to help compensate for reductions in withdrawal capacity resulting from the 2018 regulations of the California Geologic Energy Management Division (CalGEM).[71] While PG&E explains the reclassification as solely an accounting change, some stakeholders view it as a contributing factor to the high gas prices.[72]

ISPs offer storage services to PG&E Core Gas Supply and noncore customers in Northern California.[73] Typically, noncore customers inject gas into storage if they see an economic reason to do so.[74] However, forward prices during the 2022 summer injection season did not incentivize noncore customers to inject gas into ISPs' storage facilities ahead of the peak winter season because prices were comparable — or even higher — than winter prices were expected to be.[75] As a result, the winter 2022-2023 gas season began with significant unfilled storage capacity at the ISP fields.[76]

All the factors considered above led to low storage inventories in California and consequently contributed to elevated natural gas prices during the winter of 2022-2023. We, therefore, find that reduced natural gas storage supplies contributed to high gas prices during winter 2022-2023.

[70] White Paper: Part I at 37.

[71] *Id.* at 38.

[72] *Ibid*.

[73] *Id*. at 20.

[74] *Id*. at 4.

[75] *Id.* at 27, 37.

[76] *Id*. at 36-37.

3.5. Impact of Events Occurring Just Before and During Bidweek on Gas Prices

PG&E Core Gas Supply and SoCalGas Gas Acquisition purchase most of their core natural gas through long-term contracts.[77] Long-term contracts are often indexed to the monthly index price, or "bidweek" price.[78] Bidweek is the first three of the last five gas trading days (not holidays or weekends) before the month the gas is delivered.[79]

White Paper: Part I explains that events that occurred just before and during bidweek may have contributed to or caused higher January prices.[80] Specifically,

> Monthly index prices are set at the end of the preceding month, so they often reflect expectations during that period. Bidweek for January 2023 took place December 23-28, 2022, just after the California spot market hit its winter peak of $53.11 [million British thermal units (MMBtu)] on December 22 and during Winter Storm Elliot (December 21-26). Additionally, in mid-December, SoCalGas' storage inventory levels dropped sharply below the five-year average. This decline was driven by increased customer demand amid ongoing outages on El Paso's North and South Mainlines.[81]

From the explanation in White Paper: Part I, we can find that January 2023's high monthly index price reflects an expectation that gas prices would remain near the December 22, 2022, average California spot market price of

[77] *Id*. at 46.

[78] *Id*. at 5, n.16. The monthly index price or bid week price is the volume-weighted average of all fixed-price transactions conducted during "bidweek" for daily delivery. (*Id. at* 23, 44.)

[79] *Id*. at 21-22, 44.

[80] *Id*. at 45.

[81] *Id*. at 45.

$53.11 per MMBtu. This expectation was based on events occurring just before and during bidweek: recent peaks in California demand and gas spot market prices, Winter Storm Elliot, and SoCalGas's low storage levels. We therefore find that events occurring just before and during bidweek contributed to high gas prices in January 2023.

4. Regulated Entities' Role in the Gas Price Spike

The Commission has the power and the obligation under Article XII of the California Constitution and Sections 451, 701, and 761 of the California Public Utilities Code (Pub. Util. Code) to actively supervise and regulate natural gas utilities in California and do all things necessary to ensure adequate and reliable public utility service to ratepayers at just and reasonable rates. In implementing Pub. Util. Code Section 451, for purposes of utility reasonableness reviews, we use an established Prudent Manager Standard to test whether rates are just and reasonable.[82]

Under the Prudent Manager Standard, the Commission does not evaluate reasonableness based on hindsight but rather on what the utility knew or should have known at the time it made its decision.[83] The Commission has summarized the Prudent Manager Standard as follows:

> The term "reasonable and prudent" means that at a particular time any of the practices, methods, and acts engaged in by a utility follows the exercise of reasonable judgment in light of the facts known or which should have been known at the time the decision was made. The act or decision is expected by the utility to accomplish the desired result at the lowest reasonable cost consistent with good utility practices. Good

[82] D.18-07-025 at 5.

[83] D.24-07-008 at 9 (citing D.22-06-032 at 18).

> utility practices are based upon cost effectiveness, safety, and expedition.[84]
>
> Further guidance is embodied in other decisions, which state:
>
> The reasonable and prudent act is not limited to the optimum practice, method, or act to the exclusion of all others, but includes a spectrum of possible acts consistent with the utility system need, the interest of the ratepayers, and the requirements of governmental agencies of competent jurisdiction . . . .
>
> The greater the level of money, risk and uncertainty involved in a decision, the greater the care the utility must take in reaching that decision . . . .[85]

This section will discuss the results of the Commission's fact-finding into whether the following regulated entities meet the Commission's standards of reasonableness:

(1) Natural gas utilities (*i.e.*, PG&E, SDG&E, SoCalGas);

(2) PG&E and SoCalGas's independent core natural gas procurement departments; and

(3) ISPs.

This section will not address the reasonableness of noncore customers' purchasing and storage decisions, California gas producers, or the price of natural gas sold by suppliers and marketers. The Commission lacks regulatory authority over those activities.

4.1. California's Gas Utilities' Roles in the Gas Price Spike

The following gas companies are authorized by the Commission to act as public gas utilities in California: Alpine; PG&E; SDG&E; SoCalGas; SCE-Catalina

[84] D.87-06-021, 24 Cal. PUC 2d 476, 1987 Cal. PUC LEXIS 588, *28-29.

[85] D.90-09-088, 37 Cal. PUC 2d 488, 499, 1990 Cal. PUC Lexis 847, *23-25.

Island; Southwest Gas; and West Coast Gas. These gas utilities must charge their customers just and reasonable rates and maintain the safety and reliability of their infrastructure (pipelines, storage facilities, meters, *etc.*) in accordance with the requirements of Pub. Util. Code Section 451.[86]

The Commission named California's gas utilities as respondents in this proceeding and asked them questions on the record to determine the facts relevant to their culpability in causing or contributing to the gas price spike. This did not yield evidence that the foregoing gas utilities' conduct improperly caused or contributed to the gas price spike during the winter of 2022-2023. While gas utilities charged customers high rates during this period, these rates reflected the prevailing market price of natural gas.

The record contains no evidence that the gas utilities violated the ratemaking mechanisms approved by the Commission. Moreover, White Papers: Part I, Part II, and Part III, as well as party comments, do not put forward credible evidence or persuasive arguments that the gas utilities acted imprudently during the gas price spike. We, therefore, find no evidence that California's gas utilities improperly caused or contributed to the surge in natural gas prices during the winter of 2022-2023.

4.2. Natural Gas Public Utilities' Procurement Departments' Role in the Gas Price Spike

PG&E and SoCalGas have independent procurement departments (PG&E Core Gas Supply and SoCalGas Gas Acquisition) that procure the gas commodity and pipeline capacity to deliver the gas to the gas utility's intrastate system for

[86] All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful.

delivery to most residential, small-business, and small-industrial gas customers (core customers).[87] There are firewalls between the utilities' core gas procurement departments and the other functions of these utilities.[88] In most cases, the Commission prohibits PG&E Core Gas Supply and SoCalGas Gas Acquisition from procuring resources from the utilities' affiliates without prior Commission approval.[89] In addition, PG&E Core Gas Supply and SoCalGas Gas Acquisition must purchase firm gas pipeline capacity contracts and fill gas storage to specified levels before the peak winter season.[90]

This section considers whether the utility procurement departments' decisions regarding: (1) affiliate transactions; (2) contracts; and (3) storage injections and withdrawals may have improperly caused or contributed to the gas price spike during the winter of 2022-2023.

4.2.1. Procurement Branch Affiliate Transactions

In D.06-12-029, the Commission adopted affiliate transaction rules applicable to PG&E, SoCalGas, and SDG&E to address a loophole in the pre-approval requirements for procuring natural gas supplies.[91] Before these rules' adoption, there was no way for the Commission to determine: (1) if core acquisition departments were receiving preferential treatment by purchasing natural gas from their affiliates; and (2) if an affiliate's after-market sales to the gas utility were reasonable.[92] The Commission closed this loophole by adopting

[87] White Paper: Part I at 19.

[88] White Paper: Part III at n.26-27.

[89] Blind transactions are exempt from the pre-approval requirement. (D.06-12-029 at 20.)

[90] White Paper: Part I at 20.

[91] D.06-12-029 at Finding of Fact (FOF) 6.

[92] *Id*. at 19.

a rule prohibiting utility resource procurement from affiliates without prior Commission approval.[93] However, the Commission exempted blind transactions from the pre-approval requirement.[94] Blind transactions are carried out via exchanges or brokers, so that buyers and sellers do not know each other's identity until after the deal is signed.[95]

The Energy Division submitted data requests to PG&E and SoCalGas, requesting that the utilities list and describe all transactions during winter 2022-2023 and indicate any transactions in which the counterparty was a utility affiliate.[96] White Paper: Part I states that PG&E reported no affiliate transactions.[97] SoCalGas reported several "blind transactions" with affiliates for quantities totaling less than 0.5 percent of its sales volume.[98] According to White Paper: Part I, the Energy Division staff verified that the transactions were blind and the prices of these blind transactions were comparable to those of transactions conducted at similar times with non-affiliated counterparties.[99]

TURN recommends investigating whether unregulated utility affiliates benefited from the gas price spikes or from the general increase in California market price volatility.[100]

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[93] *Id.* at 5.

[94] *Id.* at 20.

[95] White Paper: Part I at 49-50.

[96] *See id.* at 49.

[97] *Id.* at 6, 49.

[98] *Id.* at 6, 49.

[99] *Id.* at 6.

[100] TURN Opening Comments on White Paper: Part I at 4.

We decline, at this time, to investigate unregulated affiliates of public utilities, as suggested by TURN. There is no evidence that PG&E Core Gas Supply or SoCalGas Gas Acquisition engaged in improper transactions with affiliates. Given this lack of evidence, we have no basis to investigate affiliates over which we lack direct jurisdiction in this proceeding or infer from the record that affiliates contributed to or benefited from the price spike.

We find that the gas utilities' procurement departments did not engage in prohibited affiliate transactions that caused or contributed to the gas price spike.

4.2.2. Procurement Department Contracting

The Commission requires PG&E Core Gas Supply and SoCalGas Gas Acquisition to purchase firm gas pipeline capacity contracts before the peak winter season. White Paper: Part I states that PG&E Core Gas Supply and SoCalGas Gas Acquisition contracted for more than half of their core gas commodity demand for winter 2022-2023 before October 25, 2022.[101]

For core gas not contracted before October 25, 2022, PG&E Core Gas Supply and SoCalGas Gas Acquisition adopted three different procurement strategies, resulting in higher core procurement rates in December and January for SoCalGas customers. First, PG&E Core Gas Supply relied on spot-market purchases, especially in December 2022 and January 2023.[102] In contrast, SoCalGas Gas Acquisition purchased most of its remaining winter 2022-2023 gas under monthly contracts.[103] Second, while PG&E Core Gas Supply's few fixed-price monthly purchases were below the later-published bidweek index prices, SoCalGas Gas Acquisition made many fixed-price purchases during the

[101] White Paper: Part I at 46.

[102] *Ibid*.

[103] *Ibid*.

winter that were above bidweek index prices.[104] Finally, PG&E Core Gas Supply purchased less gas at its citygate than that of SoCalGas Gas Acquisition.[105]

There is no assertion in the white papers or party comments that PG&E Core Gas Supply and SoCalGas Acquisition failed to comply with the Commission requirement to purchase sufficient firm gas pipeline capacity contracts before winter. However, UCAN disputes the reasonableness of SoCalGas Gas Acquisition's gas commodity procurement strategy during the winter of 2022-2023.[106] To assess the reasonableness of SoCalGas Gas Acquisition contracting, we apply the Prudent Manager Standard.

We begin with SoCalGas Gas Acquisition's reliance on monthly contracts. According to White Paper: Part I, monthly contracts may be more beneficial than spot-market purchases because they usually secure more reliable, cheaper gas.[107] In winter 2022-2023, SoCalGas Gas Acquisition had to ensure it could obtain sufficient gas supply amid outages and capacity reductions on the El Paso transmission system. In this context, SoCalGas Gas Acquisition's reliance on monthly contracts was prudent.

However, events during the December bidweek contributed to the January 2023 high monthly index price exceeding spot market prices. White Paper: Part I explains that "these results are clear after the fact."[108] Results that are only clear in hindsight do not support the conclusion that SoCalGas Gas Acquisition acted

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[104] *Id*. at 6, 48.

[105] *Id*. at 6, 48.

[106] UCAN Opening Comments on White Paper: Part I at 2-5; *see also* TURN Opening Comments on White Paper: Part I at 3-4 (encouraging Commission staff to assess potential motivations for differences in PG&E's and SoCalGas's procurement strategies).

[107] *See* White Paper: Part I at 22, 46.

[108] *Id*. at 47.

unreasonably. Instead, it was reasonable for SoCalGas Gas Acquisition to expect that its reliance on monthly contracts would result in the lowest reasonable cost.

Next, we analyze the reasonableness of SoCalGas Gas Acquisition's fixed-price purchases above the bidweek index price. Fixed-price purchases typically benefit buyers when gas prices rise, because the seller is bound to deliver the agreed-upon quantity at a loss.[109] In this case, however, SoCalGas Gas Acquisition's fixed-price purchases occurred in a market with fewer transactions, attributable to pro rata cuts to El Paso interstate pipeline capacity and to noncore customers' limited access to Southern California storage facilities.[110] When a market lacks liquidity, each deal has a greater impact on the monthly price.[111]

This appears to have happened to SoCalGas Gas Acquisition. According to White Paper: Part I, SoCalGas Gas Acquisition's December 2022 fixed-price purchases had less influence on indexed prices than its January 2023 purchases. White Paper: Part I explains that there were more transactions and lower prices in December 2022.[112] When there were fewer transactions in January 2023, the difference between SoCalGas Gas Acquisition's fixed-price purchases and the later-published bidweek index was more pronounced.[113] The bidweek index is a weighted average of reported fixed-price transactions, so SoCalGas Gas Acquisition's purchases contributed to a higher bidweek price, as did the purchases of all customers. Given the challenges inherent in forecasting the

[109] *Id*. at 22.

[110] *Id*. at 46-47.

[111] *Id*. at 47.

[112] *Id*. at 48.

[113] *Ibid*.

bidweek price in a market lacking liquidity, we do not find that SoCalGas Gas Acquisition acted unreasonably by purchasing fixed-price purchases above the later-published bidweek index price.

Finally, we assess the reasonableness of the core procurement departments' citygate purchases. White Paper: Part I clarifies that both procurement departments purchased less than a quarter of their gas for winter 2022-2023 at their respective citygates.[114] Additionally, White Paper: Part I notes that SoCalGas Gas Acquisition's citygate purchases occurred in the context of pro rata reductions in El Paso pipeline capacity resulting from the Line 2000 and North Mainline outages.[115] This context made securing an adequate supply more challenging. Citygate is the last purchasing location available in the path from gas production to the consumer. Accordingly, these facts lead us to find that SoCalGas Gas Acquisition's procurement of more gas at its citygate than that of PG&E Core Gas Supply was reasonable. SoCalGas Gas Acquisition acted prudently by procuring most of its gas outside California rather than at its citygate. Pro rata reductions in El Paso pipeline capacity limited additional purchases through interstate pipelines.

For these reasons, we find that SoCalGas Gas Acquisition's procurement contracts entered into during winter 2022-2023 were reasonable and did not improperly cause or contribute to the gas price spike. Given that there is no evidence that PG&E Core Gas Supply's procurement contracts were unreasonable, we also find that PG&E Core Gas Supply's procurement contracts did not improperly cause or contribute to the gas price spike.

[114] *Id*. at 49.

[115] *Ibid*.

4.2.3. Procurement Departments' Storage Injections and Withdrawals

There is no assertion in the white papers or party comments that PG&E Core Gas Supply and SoCalGas Acquisition failed to fill storage to required levels in compliance with the Commission's requirements. According to White Paper: Part I, the gas utilities' core procurement departments met the Commission's storage requirements before the start of winter.[116] PG&E's Core Gas Supply entered winter 2022-2023 with more than 90 percent of its contracted gas storage capacity full.[117] Storage levels for SoCalGas core customers were also above the five-year average.[118]

However, SBUA and Sierra Club assert that SoCalGas's storage decisions during winter 2022-2023 were unreasonable.[119] First, Sierra Club contends that SoCalGas injected gas into storage rather than selling it on the high-priced spot market in December 2022.[120] In response, SoCalGas states that Sierra Club's arguments do not reflect its core procurement department's actual storage injections or withdrawals.[121]

We are not persuaded that SoCalGas's storage decisions were unreasonable. There is a difference between the independent procurement decisions of SoCalGas Gas Acquisition and SoCalGas's operation of its monopoly pipeline system. Sierra Club's assertion is based on a table showing that the

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[116] *Id*. at 3.

[117] *Ibid*.

[118] *Id*. at 3-4.

[119] SBUA Reply Comments on White Paper: Part II at 1-2; Sierra Club Opening Comments on White Paper: Part I at 5; Sierra Club Opening Comments on White Paper: Part II at 2-16; Sierra Club Reply Comments on White Paper: Part II at 2-6.

[120] Sierra Club Opening Comments on White Paper: Part I at 5.

[121] SoCalGas Reply Comments on White Paper: Part I at 7.

SoCalGas system operator, not SoCalGas Gas Acquisition, was injecting gas into storage during the high-priced spot market.[122] Moreover, White Paper: Part II confirmed SoCalGas's claim that SoCalGas Gas Acquisition had no scheduled storage injections during late December 2022.[123] Thus, we are not persuaded that SoCalGas Gas Acquisition acted unreasonably by injecting gas into storage during late December 2022.

Second, Sierra Club argues that SoCalGas unreasonably withheld its gas storage withdrawal capacity. To support this argument, Sierra Club states that the March-low gas storage inventory in 2023 was nearly identical to those in 2017 and 2019, when winter gas prices were significantly lower.[124] Sierra Club also conducted two regression analyses using data from 2014 to 2023, which Sierra Club asserts demonstrate a strong correlation between storage withdrawals and daily gas demand and a weak correlation between withdrawals and price.[125] According to Sierra Club, these regression analyses indicate that SoCalGas did not change its operational procedures during winter 2022-2023 to reduce gas prices for ratepayers.[126]

In response, SoCalGas asserts that Sierra Club's evaluation is not credible. SoCalGas highlights the requirements to maintain firm interstate pipeline and

[122] Sierra Club Opening Comments on White Paper: Part I at 4. There are many reasons SoCalGas, as the system operator, may have injected gas at this time. White Paper: Part II posits that SoCalGas may have been balancing its system or injecting on behalf of other core customers who held storage. (White Paper: Part II at 21.)

[123] White Paper: Part II at 21.

[124] Sierra Club Opening Comments on White Paper: Part II at 4.

[125] *Id*. at 6-9.

[126] *Id*. at 9.

withdrawal capacity.[127] According to SoCalGas, the maximum allowable storage inventories in 2017 and 2019 were substantially lower than in 2023 due to limitations on SoCalGas's use of its Aliso Canyon Storage Facility.[128] SoCalGas also asserts that Sierra Club's regression analyses are not substantiated with underlying data or sources; do not disclose factors that are necessary to determine if there is a statistically significant, causal relationship between two variables; and do not contain the essential components for a credible analysis.[129] Finally, SoCalGas states that gas storage withdrawal decisions consider daily and futures prices based on current demand and the expected value of replacement gas, which fluctuate and differ significantly from the monthly index prices Sierra Club appears to have offered as evidence.[130]

Based on White Paper: Part II's findings on daily storage injection and withdrawal data, we are not persuaded that SoCalGas Gas Acquisition or SoCalGas withheld gas storage withdrawal capacity during winter 2022-2023. Sierra Club does not appear to have accounted for variables, such as much different levels of available pipeline capacity and the development of a large LNG export market, when comparing price differences between years. We also note that the Commission requires utilities' core procurement departments to maintain sufficient storage inventory to meet high-demand days.[131] This critical

[127] SoCalGas Reply Comments on White Paper: Part II at 3.

[128] *Id*. at 5.

[129] SoCalGas Reply Comments on White Paper: Part II at 8. Specifically, SoCalGas claims that Sierra Club "appears to not have addressed endogeneity, which is critical in any model where both dependent and independent variables may be influenced by shared underlying factors (*e.g.,* weather, system constraints) or when the dependent and independent variables may influence each other simultaneously. (*Ibid*.)

[130] SoCalGas Reply Comments on White Paper: Part II at 6.

[131] *See, e.g.,* D.06-09-039 at OP 2.

reliability requirement limits SoCalGas Gas Acquisition's ability to use its withdrawal capacity and offers a reasonable explanation for the data presented by Sierra Club. Moreover, the California Energy Commission (CEC) forecasted the 2022-2023 winter-ending inventory in the high-demand case to be 45 Bcf.[132] White Paper: Part I demonstrates that SoCalGas storage levels were below 40 Bcf as of March 28, 2023.[133] For these reasons, we do not find that SoCalGas Gas Acquisition improperly withheld withdrawal capability.

Finally, Sierra Club asserts that SoCalGas underreported its gas withdrawal capacity on its Envoy system during winter 2022-2023.[134] As support, Sierra Club references storage characteristics SoCalGas reports to the state quarterly using Form CEC-1314. SoCalGas responded that the data submitted to the CEC reflect maximum design capacity under ideal conditions and do not account for real-time system constraints, field pressure, or regulatory limitations.[135] However, the data on Envoy reflects real-time operationally available withdrawal capacity.[136]

We agree with SoCalGas that it reported its gas withdrawal capacity accurately on Envoy during winter 2022-2023. The purpose of Form CEC-1314 is to comply with the California Code of Regulations, Title 20, Section 1314, which requires each gas utility to report its underground gas storage projects' "maximum deliverability" to the CEC quarterly.[137] While a storage facility's

[132] CEC, *Winter 2022-2023 Southern California Gas Company Reliability Assessment* (November 2022) at 8, *available at* https://efiling.energy.ca.gov/getdocument.aspx?tn=247775.

[133] White Paper: Part I at 35, Figure 14.

[134] Sierra Club Opening Comments on White Paper: Part II at 12-14.

[135] SoCalGas Reply Comments on White Paper: Part II at 10.

[136] *Ibid*.

[137] Cal. Code Regs., tit. 20, § 1314(c)(13).

maximum deliverability can remain constant over time, its daily deliverability, or the amount of gas that can be withdrawn from a storage facility daily, varies.[138] Accordingly, we are not persuaded that SoCalGas underreported its gas withdrawal capacity during winter 2022-2023, based on deliverability.

For these reasons, we find that SoCalGas Gas Acquisition did not cause or contribute to the gas price spike through its storage injection and withdrawal decisions. We also find that the record does not contain facts to support a finding that PG&E Core Gas Supply caused or contributed to the gas price spike through its storage injection and withdrawal decisions.

4.3. Natural Gas Storage Facilities' Role in the Gas Price Spike

The Commission regulates four ISPs in Northern California as public utilities: Wild Goose, Lodi, Gill Ranch, and CVGS.[139] The role of an ISP is to sell available storage capacity to market participants, such as PG&E Core Gas Supply, and noncore customers, including marketers and gas-fired plants.[140] The Commission allows ISPs to charge customers market-based rates because it has found that ISPs lack market power.[141]

To assess whether ISP actions contributed to the price spikes or affected core customers in Northern California (PG&E's service territory), the Energy

[138] *See* U.S. EIA, *The Basics of Underground Natural Gas Storage*, *available at* https://www.eia.gov/naturalgas/storage/basics/.

[139] White Paper: Part II at 25. Lodi is connected to the PG&E intrastate gas pipeline system (PG&E lines 400 and 401). It currently provides 31 Bcf of working gas capacity through two fully integrated natural gas storage facilities – Lodi and Kirby Hills.

[140] White Paper: Part I at 36.

[141] D.97-06-091, 1997 Cal. PUC LEXIS 507 at Conclusion of Law (COL) 11; D.00-05-048 at OP 2; D.09-10-035 at OP 1; D.10-10-001 at OP 8.

Division reviewed ISP contracts for winters 2019-2020 through 2022-2023.[142] The Energy Division's analysis specifically focused on the confidential contracts held by PG&E's Core Gas Supply to assess whether bundled core ratepayers were charged competitive rates for gas storage contracts.[143] The results of the Energy Division's analysis are contained in White Paper: Part II.

White Paper: Part II states that ISP contracts for winters 2019-20 through 2022-23, "do not appear to violate tariffs."[144] Moreover, there is no allegation in White Paper: Part II or party comments that ISPs caused or contributed to low storage levels in California.

For the following three reasons, we determine that the record does not support a finding that ISPs caused or contributed to the gas price spike. First, White Paper: Part II does not find evidence that ISPs' contracts were unreasonable or that ISPs' actions impacted storage levels. Second, there is evidence that noncore customers' access to ISP storage in Northern California kept the market liquid and contributed to lower prices in PG&E's service territory than in SoCalGas's.[145] Finally, the winter 2022-2023 price spikes were not a California-specific issue.[146] Prices spiked at other Western and Southwestern hubs starting in December 2022.[147]

[142] White Paper: Part II at 8, 28.

[143] *Id*. at 28.

[144] *Id*. at 8.

[145] White Paper: Part I at 47.

[146] *Id*. at 31.

[147] *Id*. at 31, Figure 9.

5. Actions to Avoid or Minimize the Likelihood of Similar Gas Price Spikes

The Commission requested recommendations from the parties on actions it or other entities should take to reduce the likelihood of similar gas price spikes in the future. Parties made three primary recommendations: (1) increase inventory at SoCalGas's Aliso Canyon Gas Storage Facility (Section 5.1 below); (2) increase natural gas storage in California in general (Section 5.2 below); and (3) reduce Californians' reliance on natural gas (Section 5.3 below). PG&E also recommended authorizing utilities to inject storage on behalf of noncore customers and bill those customers for the service (Section 5.4 below). The assigned Commissioner also invited party comments on whether more PG&E storage capacity should be reallocated to core customers and whether ISP rates should be set at cost-plus rate-of-return (Section 5.5), as well as whether measures and tools could mitigate the potential impact of the Energía Costa Azul LNG export project (Costa Azul project) on gas and electric prices (Section 5.6).[148]

5.1. Increase Inventory at Southern California Gas Company's Aliso Canyon Facility

In Section 3.3, we found that reduced natural gas storage supplies contributed to high gas prices during the winter of 2022-2023. Restrictions on SoCalGas's Aliso Canyon Storage Facility limited natural gas storage in Southern California.

Aliso Canyon has a total storage capacity of 86 Bcf of natural gas, making it one of the largest natural gas storage facilities in the United States.[149] On October 23, 2015, a natural gas leak was detected in one of the wells at Aliso

[148] May 13, 2024 ACR at Attachment A, Questions 6, 10.

[149] D.23-09-002 at 4.

Canyon.[150] The leak was stopped on February 11, 2016.[151] In response, the California Legislature tasked the Commission with determining "the feasibility of minimizing or eliminating the use of Aliso Canyon…while still maintaining energy reliability for the region."[152]

The Commission opened Investigation (I.) 17-02-002 on February 9, 2017, to determine the feasibility of minimizing or eliminating the use of Aliso Canyon while maintaining energy and electric reliability for the Los Angeles region at just and reasonable rates. In D.20-11-044, the Commission authorized an interim range of working gas at the Aliso Canyon Storage Facility between zero and 34 Bcf.[153] In D.21-11-008, the Commission increased Aliso Canyon's working gas storage inventory to 41.16 Bcf.[154] The Commission found that the "availability of gas at the Aliso Canyon Natural Gas Storage Facility is an important influencing factor on what customers pay for gas and electricity."[155]

Following the winter 2022-2023 gas price spike, Cal Advocates, SCE, SDG&E, SoCalGas, and Southwest Gas recommended that the Commission reduce or eliminate restrictions at the Aliso Canyon Gas Storage Facility to mitigate the risk of future gas price spikes.[156] In D.23-08-050, the Commission modified an earlier decision, D.21-11-008, to increase the maximum inventory of

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[150] *Ibid*.

[151] *Ibid*.

[152] Senate Bill (SB) 380 (Statutes of 2016, Chapter 14).

[153] D.20-11-044 at OP 1.

[154] D.21-11-008 at OP 1.

[155] *Id*. at FOF 2.

[156] Cal Advocates Opening Comments on OII at 3-4; SCE Opening Comments on OII at 4; SoCalGas and SDG&E Opening Comments on OII at 6, 21-25, 26-28; Southwest Gas Opening Comments on OII at 5-6.

Aliso Canyon to 68.6 Bcf of working gas.[157] The Commission found that increasing the maximum storage level was necessary to protect natural gas and electricity customers from reliability and economic impacts.[158] In addition, on September 15, 2023, the Commission's Energy Division removed the Aliso Canyon Withdrawal Protocol to mitigate the potential for future price spikes.[159]

In this decision, we find that the Commission has acted after winter 2022-2023 to reduce the likelihood of future gas price spikes by increasing the maximum storage capacity at the Aliso Canyon Storage Facility. However, the Commission established a process for conducting biennial assessments of gas demand and potential changes to the maximum storage limit at Aliso Canyon.[160] Accordingly, the maximum storage limit at Aliso Canyon may change. We defer to the record in future proceedings on the matter.

5.2. Increase Storage Inventory Throughout California

Gill Ranch recommends that the Commission consider increasing the availability of gas storage capacity across California and examine ways to streamline the development of such capacity.[161] SBUA also recommends

[157] D.23-08-050 at OPs 3-7. CalGEM determined in 2017 that Aliso Canyon was safe to operate at a reduced pressure that, at the time, was calculated to correspond to an inventory of 68.6 Bcf. (D.24-12-076 at 4.)

[158] D.23-08-050 at FOF 5.

[159] White Paper: Part I at 14.

[160] D.24-12-076 at OPs 3-7. On October 1, 2025, the Energy Division issued its first biennial assessment, which recommended a reduction of the maximum inventory at Aliso Canyon to 58.6 Bcf. (Energy Division, *2025 Aliso Canyon Biennial Assessment Report Pursuant to D.24-12-076* (Oct. 1, 2025) at 5, *available at* https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/natural-gas/aliso-canyon/2025_aliso_canyon_biennial_assessment.pdf.)

[161] Gill Ranch Opening Comments on White Paper: Part II at 7-8.

addressing gas storage issues by incentivizing the development of new storage capacity and increasing the required gas storage levels for utilities.[162]

Entities interested in developing a new gas storage facility in California must request authorization from the Commission to construct and operate such a facility by applying for a Certification of Public Convenience and Necessity (CPCN). Upon receipt of a CPCN application, the Commission would consider the environmental impacts of such a facility under the California Environmental Quality Act, as well as the necessity of the new gas storage facility. The Commission may specifically assess whether a new gas storage facility is necessary, given the Legislature's direction to minimize or eliminate the use of Aliso Canyon, as well as California's commitment to achieve 100 percent zero-carbon energy by 2045.

Currently, there are no pending CPCN applications for new storage facilities proposed in California. Accordingly, we decline to speculate on the appropriateness of new gas storage facilities across California or on the necessity of streamlining their development.

5.3. Reduce Reliance on Natural Gas

In Section 3.1 above, we found that colder-than-normal temperatures in California during the winter of 2022-2023 increased demand for natural gas and contributed to high gas prices. To mitigate the potential for high demand to drive up prices in the future, Sierra Club recommends reducing natural gas use and the associated costs of natural gas infrastructure.[163] SoCalGas and SDG&E

[162] SBUA Opening Comments on White Paper: Part I at 4.

[163] Sierra Club Comments on OII at 6-7.

recommend facilitating the development and procurement of alternative fuels, such as hydrogen and renewable natural gas.[164]

To support California's climate goals, the Commission has actively pursued a reduction in reliance on natural gas for years.[165] In addition to relevant decisions in gas utilities' general rate case applications,[166] the Commission opened Rulemaking (R.) 24-09-012 on October 4, 2024, "to facilitate decarbonization activities over time in a way that supports equity, safety and affordability, and mitigates reliability challenges, commodity price spikes and other potential adverse outcomes."[167] R.24-09-012 is a successor proceeding to R.20-01-007, which was opened on January 27, 2020. Through R.24-09-012, the Commission will consider and adopt interim actions to facilitate the transition away from natural gas, adopt long-term gas transition planning, and implement the legislative requirements in Senate Bill (SB) 1221 (Stats. 2024, Ch. 602) to promote zero-emission alternatives to gas distribution line replacement projects.[168]

[164] SoCalGas and SDG&E Comments on OII at 6-7, 29-31.

[165] *See, e.g.,* D.22-09-026 (eliminating natural gas line subsidies for new natural gas hookups); D.18-06-028 (denying SoCalGas and SDG&E's application for proposed gas pipeline); D.06-01-024 (adopting policies to reduce natural gas demand as part of California Solar Initiative).

[166] *See, e.g.,* D.24-12-074 at FOF 14(a) (adopting reduced capital amounts based on an approximate one-third reduction to SoCalGas's estimate of new customers); D.23-11-069 at OP 6 (permitting PG&E to divert gas main and service line replacement funds to its Alternate Energy Program to incentivize pruning gas lines).

[167] R.24-09-012, *Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Long-Term Gas System Planning* at 2.

[168] *See* R.24-09-012, *Assigned Commissioner's Scoping Memo and Ruling* (Jan. 31, 2025) at 4-7.

Because the Commission already has multiple forums to consider how to reduce Californians' reliance on natural gas,[169] we decline to duplicate those efforts in this proceeding.

5.4. Ensuring Sufficient Storage for Noncore Customers

PG&E recommends either: (1) adopting a storage requirement for noncore providers; or (2) directing utilities to inject sufficient storage on behalf of noncore customers and bill those customers for the service.[170] According to PG&E, the second option could function like the Cost Allocation Mechanism (CAM), which ensures electric system reliability by allowing utilities to procure reliability resources and charge all customers for the net cost of those resources.[171]

The Commission does not regulate noncore customers' storage decisions.[172] Therefore, we limit our consideration to whether utilities should be authorized to inject storage on behalf of noncore customers and bill those customers for the service.

The Commission adopted the CAM to encourage investment in new generation resources. At the time, the Commission stated that, "if we do nothing, we could be putting the state in jeopardy of being short the generation facilities needed to assure adequate capacity and energy as early as 2009, or we could take the initiative now to promote new 'steel in the ground' and take the chance that some will question our commitment to competition and customer

[169] *See, e.g.,* R.25-06-019 (considering procurement of clean energy resources to displace gas generation); R.25-04-010 (considering energy efficiency programs); R.24-09-012 (considering long-term gas planning); Application (A.) 22-09-006 (considering hydrogen blending demonstration projects); R.19-01-011 (considering building decarbonization).

[170] PG&E Comments on OII at 8.

[171] *Ibid*.

[172] *See* White Paper: Part I at 4.

choice."[173] The Commission decided to adopt the CAM, which was designed to incentivize the development of new generation resources, while expressing the hope that "a market-based approach… is in place soon."[174]

Here, we consider whether there is sufficient public interest to justify requiring gas utilities to inject storage on behalf of noncore customers and bill them for the service. Such an approach could be beneficial if summer gas prices are equal to, or exceed, forward prices for winter, as they did before winter 2022-2023. However, the record does not demonstrate that these conditions are a predictable, recurring pattern. Therefore, we decline to adopt PG&E's recommendation at this time.

5.5. Allocation and Rates of Core Gas Supply Provided by Independent Service Providers

The assigned Commissioner asked whether more PG&E-owned storage capacity should be allocated to core customers to reduce the amount of storage Core Gas Supply must purchase from ISPs.[175] Additionally, the assigned Commissioner asked whether rates charged by ISPs for storage procured by PG&E for core customers should be set by the market or at a cost-plus-rate-of-return.[176]

The Commission authorizes the ISPs to provide storage services at market-based rates.[177] This authorization is based on findings that the ISPs lack market power and would primarily serve noncore customers. However, the

[173] D.06-07-029 at 25.

[174] *Id*. at 44.

[175] May 13, 2024 ACR at Attachment A, Question 6.

[176] *Ibid*.

[177] D.97-06-091, 1997 Cal. PUC LEXIS 507 at COL 11; D.00-05-048 at OP 2; D.09-10-035 at OP 1; D.10-10-001 at OP 8.

Commission authorized PG&E to rely on ISPs to provide firm storage services in D.19-09-025. At the time, the Commission recognized that one of the factors underpinning its policy allowing ISPs to charge market-based rates — the assumption that ISPs would primarily serve noncore customers — would change.[178]

In response to the assigned Commissioner's questions, CVGS, Gill Ranch, Wild Goose, and Lodi state that they oppose allocating more PG&E storage capacity to core customers and modifying the market rates ISPs currently charge. CVGS asserts that there has been no information presented in this proceeding that PG&E has inadequate access to ISP storage services or that storage services from ISPs are more expensive than those from PG&E.[179] In fact, according to CVGS, Wild Goose, and Lodi, the opposite is true. Wild Goose and Lodi argue that PG&E's storage capacity is more expensive, older, and more costly to maintain than ISPs'.[180]

Gill Ranch states that ISPs are incentivized by market forces to make their storage capacity available at competitive rates.[181] Similarly, Wild Goose and Lodi assert that there is no evidence that a cost-of-service model would be less expensive.[182] CVGS recommends that the Commission consider whether competitive conditions in the gas storage market would offer lower costs than a

[178] D.19-09-025 at 48.

[179] CVGS Opening Comments on May 13, 2024 ACR at 3.

[180] Wild Goose and Lodi Opening Comments on May 13, 2024 ACR at 5.

[181] Gill Ranch Opening Comments on May 13, 2024 ACR at 2.

[182] Wild Goose and Lodi Opening Comments on May 13, 2024 ACR at 6. Wild Goose and Lodi assert that nothing has changed since the early 1990s that would necessitate a re-evaluation of the underlying reason behind market-based rates. (*Id*. at 7-9.)

cost-of-service model, and whether such a model would incentivize investment.[183]

PG&E agrees with the ISPs that the current method of allocating storage capacity should be maintained. According to PG&E, regulatory uncertainty surrounding CalGEM's gas storage regulations, extreme weather, and financial and logistical challenges associated with storage expansion result in a surplus of storage capacity in some years and a shortfall in others.[184] PG&E states that market storage services, such as the parking and lending tariffs, enable it to mitigate shortfalls.[185] If there is excess firm capacity not used for mitigation, PG&E states it will allocate that capacity to core customers, with any resulting revenue credited back to ratepayers.[186]

However, PG&E states that ISPs' rates should be based on a cost-plus, rate-of-return model rather than set by the market.[187] First, PG&E asserts that the storage market is not competitive because there are only four ISPs, two of which are owned by the same holding company.[188] According to PG&E, the rates offered by these providers for similar services vary significantly and do not reflect a competitive market.[189] PG&E also asserts that it does not base its storage

[183] CVGS Opening Comments on May 13, 2024 ACR at 4.

[184] PG&E Opening Comments on May 13, 2024 ACR at 9.

[185] *Ibid*.

[186] *Ibid*.

[187] *Ibid*.

[188] *Id*. at 9-10.

[189] PG&E Opening Comments on May 13, 2024 ACR at 10; PG&E Reply Comments on May 13, 2024 ACR at 6 (stating PG&E Core Gas Supply's most recent solicitation for storage saw ISP rates ranging from 35 percent to 250 percent, indicating high and volatile rate structures).

need on market pricing or seasonal price arbitrage opportunities, so market pricing for ISP storage is not appropriate.[190]

Other parties support maintaining the current allocation and rate methodologies. EDF asserts that a "cost plus" metric would invite gold-plating by ISPs, whereas market rates mitigate cost pressures.[191] SBUA recommends that the Commission evaluate the cost-benefit ratio of a reallocation on ratepayers before deciding.[192]

Here, we find no basis to conclude that PG&E's reliance on ISPs to provide firm storage services caused or contributed to the 2022-2023 gas price spike. Therefore, we decline to set the rates charged by ISPs for storage procured by PG&E at a cost-plus rate-of-return at this time. However, in Section 7 below, we consider whether the Commission should collect or examine additional information to better understand ISP market dynamics.

We also decline to allocate more PG&E storage capacity to core customers. There is no evidence in the record that taking such an action would avoid or minimize the likelihood of a future gas price spike. Moreover, PG&E, ISPs, and all parties that commented on this issue support the current methodology.

5.6. Mitigation Measures or Tools for Liquified Natural Gas Exports

The Costa Azul project in Baja California, owned and operated by SoCalGas affiliates Sempra Infrastructure, TotalEnergy, and IEnova, is expected to begin service in spring 2026, with a maximum daily capacity of approximately 500 MMcfd. Following the project's completion, competition for limited pipeline

[190] PG&E Reply Comments on May 13, 2024 ACR at 6.

[191] EDF Opening Comments on May 13, 2024 ACR at 2.

[192] SBUA Opening Comments on May 13, 2024 ACR at 4.

capacity may intensify as Mexico increases LNG exports. The assigned Commissioner asked parties whether the Commission should consider mitigation measures or tools, given the potential impact on gas and electric prices.[193]

SoCalGas and SDG&E state that the SoCalGas Southern System — which serves Riverside, San Bernardino, Imperial, and San Diego counties — will likely be impacted by increased demand for gas supplies upstream of California.[194] To mitigate this potential impact, SoCalGas and SDG&E offer six recommendations.

First, SoCalGas and SDG&E recommend new infrastructure, such as a transmission pipeline connecting SoCalGas's Northern System to its Southern System.[195] Second, they urge the Commission to diversify utilities' supplies by approving SoCalGas's renewable hydrogen Angeles Link Project and identifying and removing barriers to the development of biomethane-producing facilities.[196] Third, SoCalGas and SDG&E suggest developing, maintaining, and modernizing existing gas infrastructure, like pipelines, compressors, and storage.[197] Fourth, they recommend that the Commission review the criteria for interstate pipeline capacity contracts to determine whether a three-year contract limit is appropriate.[198] Fifth, SoCalGas and SDG&E urge the Commission to authorize SoCalGas to provide the Operational Hub with access to Southern Zone firm

[193] May 13, 2024 ACR at Attachment A, Question 10.

[194] SoCalGas and SDG&E Opening Comments on May 13, 2024 ACR at 17.

[195] *Id*. at 18.

[196] *Id*. at 18-19.

[197] *Id*. at 19-20.

[198] *Id*. at 20.

Backbone Transmission Service capacity.[199] Finally, they recommend authorizing the implementation of specific Southern System low-operational flow orders to improve reliability and incentivize development outside California.[200]

Southwest Gas states that there are limited options within the Commission's authority to mitigate impacts on gas and electric prices due to increased competition for limited pipeline capacity that may arise from the Costa Azul project.[201] Nevertheless, Southwest Gas offers the Aliso Canyon storage facility as a potential mitigation measure. According to Southwest Gas, "to mitigate against a potential impact on gas and electric prices caused by increased competition for limited pipeline capacity, the Commission should weigh the importance of alternative resources, namely the continued operation of the Aliso Canyon storage facility."[202]

CforAT and TURN express concern about the Costa Azul project's impact on customers' bills.[203] TURN suggests recovering price spikes above a commodity cap from Sempra unregulated gas affiliates, instead of SoCalGas customers.[204] EDF asserts that the net costs of the Costa Azul project should be borne by those who receive a benefit.[205] SBUA recommends the Commission reserve a portion of pipeline capacity for domestic use, prioritizing core

[199] *Id*. at 21.

[200] *Ibid*.

[201] Southwest Gas Opening Comments on May 13, 2024 ACR at 6.

[202] *Id*. at 7.

[203] CforAT Opening Comments on May 13, 2024 ACR at 12; TURN Opening Comments on May 13, 2024 ACR at 10.

[204] TURN Opening Comments on May 13, 2024 ACR at 10.

[205] EDF Opening Comments on May 13, 2024 ACR at 3-5.

customers.[206] SBUA also states the Commission should monitor the impact of the LNG export project on gas and electric prices and take steps to prevent excessive price increases. Sierra Club states that the Commission lacks jurisdiction to regulate Sempra Energy's unregulated entities and the Costa Azul project.[207] However, Sierra Club asserts that a fuel-cost sharing program would align SoCalGas shareholder incentives with ratepayer interests and California energy policy.[208]

We do not have the authority to implement all parties' recommendations, such as SBUA's recommendation to reserve pipeline capacity for Californians. However, the Commission may consider applications for new intrastate gas infrastructure, access to Backbone Transmission Service capacity, and a low Operation Flow Order. For example, we are currently considering SoCalGas's request to commence Phase 2 activities for the Angeles Link Project in A.24-12-011.

The Commission may also reconsider the criteria for interstate pipeline capacity contracts to determine whether the three-year contract limit is appropriate. The three-year limit was established in D.04-09-022 as a requirement for gas utilities to receive pre-approval of certain interstate pipeline capacity contracts.[209] The Commission established the limit based on the finding that allowing gas utilities broader pre-approval authority without formal Commission review or authorization is "inconsistent with carrying out our

[206] SBUA Opening Comments on May 13, 2024 ACR at 7.

[207] Sierra Club Reply Comments on May 13, 2024 ACR at 13.

[208] *Id*. at 14.

[209] D.04-09-022 at 25-26.

duties in a careful and diligent manner."[210] If SoCalGas and SDG&E believe that completion of the Costa Azul project supports a change to the three-year limit, they may file an application with the Commission.

As SoCalGas and SDG&E's recommendations are best considered through individual applications, we decline to adopt them here. We consider a temporary cap on the Core Procurement Charge (CPC) and Sierra Club's fuel-cost-sharing proposal in Sections 6.2 and 6.14 below.

6. Actions to Mitigate Ratepayer Harm If Gas Price Spikes Recur

In Sections 6.2-6.14 below, we consider specific measures to mitigate ratepayer harm in the event of a recurrence of a gas price spike. Foundational to this consideration is the establishment of a definition of a "gas price spike event." Parties offered various recommendations regarding this definition, which we consider in Section 6.1 below.

6.1. Defining Gas Price Spike Event

To determine when utilities must take specific actions to mitigate ratepayer harm in the event of a recurrence of a gas price spike, we must first define a "gas price spike event."

The parties proposed several thresholds for notification and mitigation measures in the event of a gas price spike. For example, Sierra Club recommends that the threshold for notification be based on a monthly calculation, where customers would save $20 or more per month on gas bills by electrifying.[211]

[210] *Id.* at 25.

[211] Sierra Club Opening Comments on May 13, 2024 ACR at 2.

CforAT, EDF, TURN, and UCAN recommend using a specific increase in customers' bills.[212] Specifically, CforAT recommends requiring measures to mitigate ratepayer harm if a commodity price spike would increase the average customer's bill by 10 percent or more, calculated separately for California Alternate Rates for Energy (CARE)/Family Electric Rate Assistance (FERA) and non-CARE/FERA customers.[213] UCAN suggests a threshold at which commodity costs could increase the average monthly bill by 20 percent during the upcoming winter season.[214] TURN notes that UCAN's recommendation could be triggered by a $30-per-month increase in the bill and does not object to the proposal.[215]

However, TURN primarily recommends that customer notification requirements be in place if gas prices reach a level that, if sustained, would result in a monthly increase of $20 relative to the average monthly residential winter usage over the prior five years, excluding any climate or other credits.[216] According to TURN, using the average winter maximum is essential because the usage on which investor-owned utilities (IOUs) base their bill calculations varies significantly from winter averages.[217] TURN assumes an average winter maximum of 60 therms (based on PG&E's average rate and gas bills), and

[212] CforAT Opening Comments on May 13, 2024 ACR at 7-8; EDF Opening Comments on May 13, 2024 ACR at 1; TURN Opening Comments on May 13, 2024 ACR at 1; UCAN Opening Comments on May 13, 2024 ACR at 1-2.

[213] CforAT Opening Comments on May 13, 2024 ACR at 7-8.

[214] UCAN Opening Comments on May 13, 2024 ACR at 2. UCAN's recommendation does not specify whether this 20 percent increase should be calculated by comparing bills from the previous winter, previous summer, or some other period.

[215] TURN Reply Comments on May 13, 2024 ACR at 3.

[216] TURN Opening Comments on May 13, 2024 ACR at 1.

[217] *Id*. at 1-2.

calculates that a $20 increase in the monthly bill would correspond to a 33-cent increase in the gas commodity price.[218]

SBUA recommends using gas commodity prices to define a price spike event. Specifically, SBUA states that we should consider that a gas price spike has recurred if: (1) gas commodity cost increase 20 percent above the monthly average compared to the previous year; or (2) gas commodity cost increase 20 percent above the historical seasonal average.[219] Additionally, SBUA recommends that the Commission mandate customer notifications when wholesale gas commodity costs exceed 200 percent of the prior 12-month average cost for more than seven consecutive days.[220]

Finally, SoCalGas and SDG&E recommend that any "threshold should specifically filter out stable prices, making certain that high volatility is considered, thereby maintaining clarity and relevance for customers."[221] Using TURN's recommended threshold of a monthly increase of $20 as an example, SoCalGas and SDG&E assert that a 33-cent increase in commodity prices "is not significant [enough] to be meaningful and would burden and confuse customers with excessive and unnecessary notifications."[222]

We find it reasonable to base the threshold on gas prices and the associated bill impact, rather than potential savings from electrification. Electrification savings depend on the customer's individual circumstances, including the potential need to purchase new appliances and undertake additional home

[218] *Id*. at 2-3.

[219] SBUA Opening Comments on May 2024 ACR at 1-2.

[220] *Id.* at 2.

[221] SoCalGas and SDG&E Reply Comments on May 13, 2024 ACR at 5.

[222] *Ibid*.

renovations. Additionally, calculating electrification savings relies on the per-unit price of gas and electricity, among other factors.[223] Finally, electrification projects have longer timelines and typically cannot be implemented immediately in response to a gas price spike notification.

Instead, we are persuaded to set a threshold for a gas price spike based on the core procurement price — how commodity prices appear on core customers' bills. Basing the threshold on the core procurement price, rather than a general percentage increase in core customers' bills, will ensure that notifications are tied to bill increases related to a spike in gas commodity prices. Moreover, as parties recognize, communicating with customers directly about bill impacts is more effective than about commodity costs.

While we agree with parties that a gas price spike event must be based on the commodity component of core customers' gas bills, we are not convinced that a 10-20 percent increase in commodity prices above the monthly average compared to the previous year would constitute a price spike. In January 2023, the record shows the monthly index price was $49.52 per MMBtu at PG&E citygate and $54.31 per MMBtu at SoCalGas citygate.[224] The monthly index price high for the preceding 10 years was below $14 per MMBtu.[225] Thus, there was an over 250 percent increase in monthly index prices at PG&E and SoCalGas citygates compared to the 10-year high.

Using these numbers, we find it reasonable to set a threshold for a gas price spike event well above a 10-20 percent increase in commodity prices and

[223] While electrification would reduce customer gas demand, it would likely not also reduce demand from electric generators without a large increase in winter and nighttime renewables.

[224] White Paper: Part I at 44.

[225] *Ibid*.

customer bills. Utilities, ratepayers, and Californians in general should view a gas price spike event as a rare occurrence that warrants immediate action. However, monthly index prices need not rise by 250 percent to trigger the notification and mitigation measures required by this decision. Such a significant increase in commodity prices had major impacts on ratepayers and the market.

Based on a review of monthly core procurement prices since 2009,[226] we define a gas price spike as a 150 percent increase in the monthly core procurement price relative to the 10-year average core procurement price for that month during the winter season (November-March).[227] The winter months that reached this level during the review period were January and February 2023, with SoCalGas nearing the threshold in December 2022.[228]

Monthly Core Procurement Price: SoCalGas and PG&E

	SoCalGas			PG&E		
Month	Price ($/therm)	10-Year Average for Month	% Over 10-Year Average	Price ($/therm)	10-Year Average for Month	% Over 10-Year Average
11/2022	$0.64959	$0.37239	74.44%	$0.93988	$0.46574	101.80%
12/2022	$1.05329	$0.42265	149.21%	$0.98040	$0.48012	104.20%

[226] Core procurement prices (or charges in the case of PG&E) are the actual prices paid by core customers, not the monthly index prices at the utilities' citygates. They include the impacts of hedging, purchases at various market hubs, and other factors. The utilities publish their core procurement prices in therms. Ten therms are roughly equal to one MMBtu.

[227] Based on the core procurement prices published by the gas utilities. (*See* SoCalGas, *available at* https://www.socalgas.com/business/energy-market-services/gas-prices; *see also* PG&E (Residential), *available at* https://www.pge.com/tariffs/en/rate-information/gas-rates.html#accordion-80734fc416-item-011aaaffe1.)

[228] SoCalGas's website shows core procurement rates back to 2009. Thus, there are 10 prior years of historical data for the years 2019-2025.

	SoCalGas			PG&E		
Month	Price ($/therm)	10-Year Average for Month	% Over 10-Year Average	Price ($/therm)	10-Year Average for Month	% Over 10-Year Average
1/2023	$3.44892	$0.41737	726.35%	$1.37062	$0.48403	183.17%
2/2023	$1.10870	$0.38502	187.96%	$1.44538	$0.49685	190.91%
3/2023	$0.59673	$0.37357	59.74%	$0.80230	$0.41292	94.30%

In the event of such a gas price spike, PG&E and SoCalGas shall notify the Commission in a Tier 1 advice letter served on the parties to this proceeding within 24 hours of identifying a gas price spike event. PG&E and SoCalGas may request authority from the Executive Director to declare a gas price spike that does not meet this definition.

This definition relies on a 10-year average because using a single year as a baseline could yield unintended results if gas commodity prices are abnormally low during a winter. For example, if gas prices drop to $1.00 per MMBtu at either the PG&E or SoCalGas Citygate, an increase to $3.00 per MMBtu the next year would be considered a gas price spike. To avoid such a scenario, we require gas utilities to compare the monthly commodity price to the 10-year average core procurement price for that month.

6.2. Temporary Cap on Core Procurement Charge

The CPC covers the costs of purchasing and transporting gas supplies.[229] The rate is adjusted monthly to reflect fluctuations in gas prices.[230] SoCalGas and SDG&E recommend that the Commission explore a temporary cap on the CPC

[229] White Paper: Part I at 25.

[230] *Ibid*.

during a price spike, subject to subsequent cost recovery.[231] According to SoCalGas and SDG&E, evaluating and defining a temporary cap would involve developing a mechanism for recovery and analyzing the extent to which a cap might mute price signals.[232]

CforAT, SBUA, and TURN support a temporary cap.[233] SBUA and TURN support a temporary cap of no more than 15 percent above the historical seasonal average on the CPC during price spike events.[234] However, TURN states "the level at which a cap was placed would need to be carefully balance[d] against the impact of future recoveries."[235] To recover any undercollections, CforAT recommends amortizing the undercollection on non-CARE/FERA customers' bills and exempting CARE/FERA customers.[236]

PG&E does not support a cap, arguing that it constrains utilities' access to liquidity and capital markets and removes price signals that encourage customers to conserve.[237] Specifically, PG&E asserts that a cap would impact the liquidity each utility would need to obtain and directly affect the cost and amount of short-term debt that utilities would need to access.[238] Southwest Gas asserts that a temporary cap could potentially hinder reliability.[239]

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[231] SoCalGas and SDG&E Comments on OII at 7, 35-37.

[232] *Id*. at 37.

[233] CforAT Opening Comments on May 13, 2024 ACR at 7-8; SBUA Opening Comments on May 13, 2024 ACR at 4-5; TURN Reply Comments on May 13, 2024 ACR at 7.

[234] SBUA Opening Comments on May 13, 2024 ACR at 4-5.

[235] TURN Reply Comments on May 13, 2024 ACR at 7.

[236] CforAT Opening Comments on May 13, 2024 ACR at 8.

[237] PG&E Opening Comments on May 13, 2024 ACR at 10.

[238] *Id*. at 11.

[239] Southwest Gas Opening Comments on May 13, 2024 ACR at 4.

We evaluate parties' recommendations and the Commission's history in considering similar price caps. Historically, CPCs were updated every two years. However, the CPC was inevitably too high or too low to cover costs, given the day-to-day volatility in the winter natural gas markets, and distorted price signals to customers. In a series of decisions in the mid-1990s, the Commission authorized gas utilities to change the CPC monthly on bills for residential and non-residential customers with bundled services.[240] The Commission recognized that "it is the nature of markets to influence economic behavior; prices are supposed to bring supply and demand into balance."[241]

In D.97-07-061, the Commission ordered SDG&E to remove a temporary rate cap upon a finding that the cap caused SDG&E to accrue a substantial undercollection without its customers benefiting from accurate price signals.[242] Again, the Commission noted that "spikes in the commodity price component of natural gas service have the beneficial effect of moderating demand, which in turn results in dampening of prices."[243] Similarly, in D.05-10-044, the Commission declined to adopt a cap on rates to protect against an anticipated increase in gas prices, reasoning that "[d]eferring recovery now requires betting gas prices will go down significantly after the winter."[244]

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[240] *See* D.96-05-071, 66 Cal. PUC 2d 320, 1996 Cal. PUC LEXIS 684, *7-8, *as modified by* D.97-07-061, 1997 Cal. PUC LEXIS 553 (authorizing SDG&E); D.96-08-037, 67 Cal. PUC 2d 503, 1996 Cal. PUC LEXIS 856 at OP 1 (authorizing SoCalGas); and D.97-10-065, 76 Cal. PUC 2d 230, 1997 Cal. PUC LEXIS 973 at OPs 1-2, *as modified by* D.98-07-025, 81 Cal. PUC 2d 53, 1998 Cal. PUC LEXIS 529 (authorizing PG&E).

[241] D.96-05-071, 66 Cal. PUC 2d 320, 1996 Cal. PUC LEXIS 684, *7.

[242] D.97-07-061, 1997 Cal. PUC LEXIS 553, at FOF 5.

[243] *Id*. at *3.

[244] D.05-10-044 at 25-26.

Although the Commission declined to impose a cap in prior decisions, we find that the rare circumstances that could trigger a gas price spike event warrant a different approach. The 2022-2023 gas price spike placed an extreme burden on ratepayers. In January 2023, SoCalGas customers saw an average 147 percent increase in their gas bills compared to January 2022, while PG&E customers saw an average 30 percent increase.[245] Given the extreme burden faced by ratepayers during a gas price spike, it is reasonable to provide bill relief, even if it may mute the full extent of price signals.

Therefore, we authorize PG&E, SoCalGas, SDG&E, and Southwest Gas to impose a temporary cap on CPC only during gas price spikes that occur during the winter months (November-March), as defined in this decision. If a gas price spike occurs for three consecutive months, gas utilities shall file a Tier 3 advice letter before continuing the temporary cap on the CPC into the fourth month. We impose this limitation because we intend for the cap only to be temporary.

We cap the CPC at 150 percent above the 10-year average core procurement price for that month. Such a cap aligns with the definition of a gas price spike, provides bill relief, and maintains utility creditworthiness. In the section below, we discuss how utilities shall amortize undercollections arising from the temporary cap.

Separately, TURN notes that increasing shareholder responsibility for commodity price spikes above a predetermined cap may protect ratepayers and incentivize utilities to allocate storage more effectively.[246] By way of example, TURN provides that such responsibility may include a fine for exceeding the cap

[245] White Paper: Part I at 7.

[246] TURN Opening Comments on May 13, 2024 ACR at 8.

more than a specified number of times during the winter or the Commission requiring shareholders to absorb a portion of the costs.[247] SoCalGas and SDG&E oppose this recommendation. They assert it does not consider that the wholesale natural gas market, not SoCalGas, drives natural gas prices or the burden such a proposal would place on utilities' financial health and natural gas supply reliability.[248]

We decline to adopt TURN's recommendation. The record does not support a finding that gas transportation utilities, or their functionally independent core gas procurement departments, are automatically responsible for gas price spikes in California, or that penalizing gas utilities would likely mitigate the likelihood of such spikes.

6.3. Amortization

When forecast and actual monthly core procurement costs differ, the Commission allows gas utilities to track the imbalances in their Core Procurement Gas Accounts (CPGA) and recover any over- or undercollections from ratepayers. Our decision to authorize gas utilities to impose a 150-percent temporary cap on their CPC in the event of a gas price spike will likely create an imbalance in CPGAs. As such, PG&E, SoCalGas, SDG&E, and Southwest Gas will need to recover any undercollection from ratepayers.

SoCalGas and SDG&E recommend amortizing CPGA imbalances over time.[249] SBUA supports extending the amortization period to 12 months.[250]

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[247] *Ibid*.

[248] SoCalGas and SDG&E Reply Comments on May 13, 2024 ACR at 16.

[249] SoCalGas and SDG&E Comments on OII at 35-27. SoCalGas and SDG&E do not recommend a specific amortization period.

[250] SBUA Opening Comments on May 13, 2024 ACR at 5.

However, PG&E opposes lengthening the CPC amortization period, claiming that the utilities already have the discretion to amortize over "any" period of time.[251] Similarly, Southwest Gas notes that it already amortizes the balance over 12 months and does not see a need for a more extended period.[252]

It is reasonable to align the amortization period for any imbalance resulting from the temporary CPC cap across utilities in the event of a gas price spike. Such alignment better helps customers understand their bills and the Commission to monitor rates. In addition, setting the amortization period to nine months will prevent it from overlapping with the next winter season. Therefore, if PG&E, SoCalGas, SDG&E, or Southwest Gas experience an imbalance due to the 150 percent temporary cap on their CPCs, they shall amortize the imbalance in their CPGAs monthly over nine months. PG&E, SoCalGas, SDG&E, and Southwest Gas shall file a Tier 2 advice letter proposing changes to their tariffs, as necessary to implement this decision, by May 1, 2026.

6.4. Framework for Winter Rates

SoCalGas and SDG&E recommend that the Commission authorize gas utilities to calculate and bill customers at the "estimated winter rate" for the upcoming winter (not limited to gas price spike events) by considering: (1) winter forecasted demand; (2) the estimated cost of flowing supplies by region based on winter forward prices published in September; (3) forecasted cost of gas supplied from storage given planned withdrawals and estimated cost of stored gas; (4) transportation costs; and (5) estimated cost of winter hedges.[253]

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[251] PG&E Opening Comments on May 13, 2024 ACR at 11. PG&E does not cite a decision or other legal authority for this claim.

[252] Southwest Gas Opening Comments on May 13, 2024 ACR at 5.

[253] SoCalGas and SDG&E Opening Comments on May 13, 2024 ACR at 14.

Gas utilities could then true up the difference between the estimated winter rate and actual winter costs by amortizing any over- or undercollection as appropriate.[254]

Sierra Club was the only party to respond. It asserts that SoCalGas and SDG&E's proposal would introduce undue complexity and administrative costs to the gas tariff.[255]

We agree with Sierra Club. SoCalGas and SDG&E's proposal serves a similar purpose to the temporary cap on gas utilities' CPCs and subsequent amortization of any undercollection in gas utilities' CPGAs. However, the proposal is more complex to calculate and more administratively costly to oversee. In addition, SoCalGas and SDG&E's proposal would shift cost variability to later months, even when a gas price spike has not occurred. This shifting of costs would decouple the timing of gas consumption from payment, which would mute customer price signals to conserve gas during the winter and increase customer confusion.

For these reasons, we decline to adopt SoCalGas and SDG&E's recommendation that the Commission authorize gas utilities to calculate the estimated winter rate.

6.5. Level Payment Plans

This section examines level payment plans, or average billing plans, as a means of smoothing out the effects of gas price spikes.

Currently, gas utilities allow customers to opt into level payment plans. A customer who has opted into a level payment plan receives a monthly bill based

[254] *Ibid*.

[255] Sierra Club Reply Comments on May 13, 2024 ACR at 9.

on their average monthly usage and charges, rather than volumetric usage and charges. This amount is periodically adjusted to minimize the accumulation of variance. The Commission already requires gas utilities to offer level payment plans and to "take aggressive steps" to inform separately-metered residential customers of this option before the peak winter months.[256] In addition, the Commission's CHANGES (Community Help and Awareness of Natural Gas and Electric Services) program can help limited-English-proficient consumers enroll.[257]

SBUA and Sierra Club recommend that the Commission require level payment plans to be the default, or opt-out, option for gas customers.[258] According to Sierra Club, making level billing the default payment option for customers is a lower-cost and lower-risk solution to mitigate ratepayer harm than hedging or storage.[259] Sierra Club also asserts, without explanation, that the average billing plan would accomplish several goals, including side-stepping "the gas utilities' conflict of interest."[260] SBUA notes that a proposal requiring utilities to automatically enroll customers in a level payment plan is currently before the Commission in R.18-07-006.[261]

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[256] D.05-10-044 at 26-27.

[257] California Public Utilities Commission (CPUC), TEAM and Changes Programs, *available at* https://www.cpuc.ca.gov/about-cpuc/divisions/news-and-public-information-office/consumer-affairs-branch/team-and-changes-programs.

[258] SBUA Comments on OII at 4; Sierra Club Reply Comments on September 11, 2023 ACR at 9-11; Sierra Club Opening Comments on May 13, 2024 ACR at 2, 4-5; Sierra Club Opening Comments on White Paper: Part III at 12-14.

[259] Sierra Club Reply Comments on September 11, 2023 ACR at 10.

[260] Sierra Club Opening Comments on May 13, 2024 ACR at 2-3. It is not immediately apparent from Sierra Club's comments what conflict of interest an average billing plan would sidestep.

[261] SBUA Comments on OII at 4, n.8.

SoCalGas and SDG&E oppose this recommendation, stating that making level payment plans the default for over six million residential customers would remove the cost signal associated with increased gas usage.[262] SoCalGas and SDG&E assert that this could have the undesired effect of increasing unnecessary gas use beyond what would otherwise occur and reducing a consumer's conservation behavior.[263] SoCalGas and SDG&E also claim that an opt-out level payment plan could risk their financial health.[264]

We decline to make the level payment plan the default option for two reasons. First, when weighing SBUA and Sierra Club's recommendations, the Commission must strike an appropriate balance between payment options and conservation. While we found that a temporary cap on gas utilities' CPCs during a gas price spike strikes the right balance, we cannot do the same here. The opt-out level payment plan recommendation would apply even in the absence of a gas price spike. As such, it would mute critical price signals to conserve during the average winter. In addition, an opt-out level payment plan could create an imbalance between supply and demand, potentially increasing ratepayer impacts over the long term.

Second, SBUA and Sierra Club's proposal is outside the scope of this proceeding. This proceeding was initiated to investigate the causes of the 2022-2023 gas price spike and to examine measures to mitigate ratepayer harm should a price spike recur. Sierra Club's proposal would have the Commission establish a single calculation methodology for default level payment plans across

[262] SoCalGas and SDG&E Reply Comments on May 13, 2024 ACR at 13.

[263] *Ibid*.

[264] *Ibid*.

all California gas utilities.[265] Consideration of such a methodology is not within the scope of this proceeding.

Therefore, we do not adopt an opt-out level payment plan or average payment plan in this decision.

6.6. Other Payment Plans, Assistance Programs

Cal Advocates, CforAT, EDF, PG&E, SCE, SDG&E, SoCalGas, and Southwest Gas reference assistance programs and payment plans, in general, as measures to mitigate harm to ratepayers if a gas price spike recurs.[266] SoCalGas and SDG&E suggest proactively offering payment extensions and installment plans to customers.[267] CforAT recommends that the Commission review the actions it took to reduce costs at the beginning of the pandemic, explore ways to increase the availability of utility Arrearage Management Plans (AMPs).[268] EDF urges the Commission to collaborate with the Legislature to increase the CARE discount for low-income gas ratepayers.[269]

EDF's recommendation is outside the scope of this decision. Parties' other recommendations have been considered in various Commission proceedings, including R.18-07-005. In that proceeding, the Commission adopted several requirements related to parties' recommendations. First, the Commission required gas and electric utilities to offer their customers the opportunity to

[265] *See* Sierra Club Reply Comments on September 11, 2023 ACR at 10.

[266] Cal Advocates Comments on OII at 4; CforAT Comments on OII at 4; EDF Comments on OII at 7; PG&E Opening Comments on September 11, 2023 ACR at 29; SCE Comments on OII at 5; SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 22; Southwest Gas Comments on OII at 6; Southwest Gas Opening Comments on September 11, 2023 ACR at 12-13.

[267] SoCalGas and SDG&E Comments on OII at 37-38.

[268] CforAT Comments on OII at 4.

[269] EDF Comments on OII at 7.

enroll in all applicable benefit programs, such as CARE and FERA, and to make a 12-month payment plan available before disconnecting service.[270] Second, the Commission prohibited disconnections if a Low-Income Home Energy Assistance Program (LIHEAP) pledge is pending.[271] Third, the Commission permitted gas customers to pay only a minimum of 20 percent of the past-due balance and agree to a payment plan to avoid disconnection.[272] Finally, the Commission established a 12-month AMP payment plan for CARE and FERA customers in arrears.[273]

In Section 9.3 below, we examine whether gas utilities should improve their communication about available assistance programs and payment plans. However, we do not have the record to expand the availability of assistance programs and payment plans in this decision.

6.7. Disconnection Moratorium and Ban on Reporting Customer Delinquencies to Credit Agencies

UCAN recommends a moratorium on utility service shutoffs during a gas price spike.[274] In addition, UCAN recommends a ban on reporting customer delinquencies to credit agencies during a gas price spike, if not already mandated.[275] According to UCAN, ratepayers who fall into arrears due to a price spike may experience cascading effects, including damage to their credit

[270] D.20-06-003 at 26-28, OP 1.

[271] *Id*. at 27, OP 1.

[272] *Id*. at 88, OP 49.

[273] *Id*. at 103-107, OPs 52-53.

[274] UCAN Comments on OII at 4; UCAN Reply Comments on September 11, 2023 ACR at 3; UCAN Opening Comments on May 13, 2024 ACR at 5.

[275] UCAN Opening Comments on OII at 4; UCAN Reply Comments on September 11, 2023 ACR at 3; UCAN Opening Comments on May 13, 2024 ACR at 5.

ratings and subsequent difficulty obtaining housing or accessing other goods and services that depend on a solid credit rating.[276]

The Commission and utilities offer programs to protect customers from arrearages, including CARE, FERA, and PG&E's Relief for Energy Assistance Through Community Help (REACH). REACH helps low-income families pay for energy during a crisis.[277] In Section 9.3 below, we consider whether utilities should improve their communications about these assistance opportunities during a gas price spike.

Nevertheless, we recognize UCAN's point that a gas price spike may put customers at risk of disconnection and falling into arrears. Implementing UCAN's recommendations for a disconnection moratorium and a ban on reporting customer delinquencies to credit agencies may help vulnerable customers. However, the record in this proceeding does not contain sufficient information to adopt a disconnection moratorium or ban utilities from reporting customer delinquencies to credit agencies. Accordingly, we decline to adopt a disconnection moratorium or a ban on reporting customer delinquencies to credit agencies at this time.

6.8. Community Resource Centers

In the May 13, 2024 ruling, the assigned Commissioner asked parties whether the Commission should require utilities to provide community resource centers (CRCs) during winter gas price spike events.[278]

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[276] UCAN Comments on OII at 4-5; UCAN Reply Comments on September 11, 2023 ACR at 3.

[277] PG&E, REACH program, *available at* https://www.pge.com/en/account/billing-and-assistance/financial-assistance/relief-for-energy-assistance-through-community-help.html?vnt=reach.

[278] May 13, 2024 ACR at Attachment A, Question 9.

EDF, SBUA, TURN, and UCAN support requiring gas and electric utilities to provide CRCs. While TURN recommends CRCs during gas price spike events,[279] SBUA and UCAN also recommend that utilities provide CRCs at other times, such as when disconnection rates are high, curtailments are significant, and cold weather is extreme.[280] According to UCAN, the rationale for providing CRCs during the winter season is the same as for hot-temperature summer events.[281] Similarly, EDF supports CRCs modeled after the Cooling Centers/Cool Zones supported by electric utilities during high-heat events.[282] SBUA and TURN support EDF's suggestion to model CRCs on Cooling Centers.[283]

Regarding services CRCs would provide, TURN recommends that the most vulnerable members of the community have access to utility services, including hot water for sanitation and resources to prepare food.[284] CforAT and SBUA also recommend that CRCs provided during gas price spikes: (1) be accessible via public transportation and be compliant with the Americans with Disabilities Act; (2) be indoors; (3) be available all hours; (4) provide charging stations capable of powering medical devices, cellular network services, food/snacks/hot meals, water, comfortable seating for extended stays, information representatives, restrooms and sanitary facilities, privacy screens,

[279] TURN Opening Comments on May 13, 2024 ACR at 9.

[280] SBUA Opening Comments on May 13, 2024 ACR at 6; UCAN Opening Comments on May 13, 2024 ACR at 7-8.

[281] UCAN Opening Comments on May 13, 2024 ACR at 7.

[282] EDF Opening Comments on May 13, 2024 ACR at 3.

[283] SBUA Reply Comments on May 13, 2024 ACR at 6; TURN Reply Comments on May 13, 2024 ACR at 7-8.

[284] TURN Opening Comments on May 13, 2024 ACR at 9.

to-go kits with solar-powered chargers, flashlights, and accommodation for children, service animals, and pets; and (5) for customers with specific medical needs, provide hotel stays, meal vouchers, and batteries.[285]

PG&E does not support CRCs for gas-related events.[286] PG&E states that adopting party recommendations would make CRCs "emergency shelters that would allow customers and their children and pets to live for extended periods of time."[287] According to PG&E, mobilizing CRCs on a large scale across its service area could be "costly for the utilities to implement" and "inequitable for customers who do not live close to a CRC and need to travel to these sites."[288] PG&E argues that CforAT and TURN's recommendations duplicate winter shelters administered by local governments and health and human services agencies.[289] Accordingly, PG&E recommends that the Commission coordinate with these entities to determine whether they can provide shelter services during a gas price spike.[290]

SoCalGas and SDG&E express concern that establishing CRCs for high price events would create implementation challenges.[291] Similar to PG&E, SoCalGas and SDG&E assert that a CRC requirement "would undoubtedly

[285] CforAT Opening Comments on May 13, 2024 ACR at 10-11; SBUA Reply Comments on May 13, 2024 ACR at 6.

[286] PG&E Opening Comments on May 13, 2024 ACR at 12.

[287] PG&E Reply Comments on May 13, 2024 at 10.

[288] PG&E Opening Comments on May 13, 2024 ACR at 12.

[289] PG&E Reply Comments on May 13, 2024 ACR at 12.

[290] *Ibid*.

[291] SoCalGas and SDG&E Opening Comments on May 13, 2024 ACR at 16-17.

require a significant amount of ratepayer funding to initiate, which seems to run counter to the focus of this proceeding in minimizing future high gas prices."[292]

We recognize that CRCs could provide relief to vulnerable Californians during a gas price spike, such as access to hot showers, warmth, and food preparation. However, we must weigh these benefits against other considerations, such as cost and access. If we order utilities to coordinate and implement CRCs with the services and scale stakeholders recommend, utilities may seek ratepayer recovery of the reasonable costs of compliance, which could exacerbate, not mitigate, the impact of a gas price spike. Additionally, utilities may not be equipped to provide equitable access to the CRCs.

Local governments and health departments may have information and resources to assist Californians with their day-to-day needs during a gas price spike. Accordingly, we encourage PG&E, SoCalGas, SDG&E, and Southwest Gas to coordinate with local governments and health departments within their service territories on an ongoing basis to ensure gas utilities have up-to-date information on resources that can provide relief to vulnerable Californians during a gas price spike. If a gas price spike occurs, as defined in this decision, PG&E, SoCalGas, SDG&E, and Southwest Gas shall make up-to-date information on local resources available to their customers within 24 hours of identifying the gas price spike.

6.9. Residential Fixed Charge

Gas utilities base their residential transportation rate structures on a combination of both volumetric and monthly fixed charges. SoCalGas and SDG&E recommend that the Commission increase residential fixed charges to

[292] SoCalGas and SDG&E Reply Comments on May 13, 2024 ACR at 18.

reduce the annual average bill for customers with high volumetric rates.[293] According to SoCalGas and SDG&E, an increased residential fixed charge may reduce month-to-month bill volatility by decreasing winter bills and generating more transportation-related revenue requirements in the non-winter months.[294]

SoCalGas and SDG&E requested authority to implement a two-tiered, income-based residential fixed charge in a different proceeding that the Commission resolved.[295] In D.24-07-009, the Commission stated that implementation of the fixed charge "should be considered on an industry-wide basis in the long-term gas planning rulemaking."[296] Indeed, on November 13, 2024, the Administrative Law Judges in the long-term gas planning rulemaking asked parties whether the Commission should require gas utilities to propose rate options with and without a fixed charge in their next rate case.[297]

As this issue is being considered in a different proceeding, we deny SoCalGas and SDG&E's request here. Parties interested in this issue should monitor R.24-09-012, the long-term gas planning rulemaking.

6.10. Information on Core Transport Agent Rates

AReM asserts that core transport agents' (CTA) fixed-price products are "fully protected from price spikes."[298] According to AReM, "[u]nlike gas utility default rates, CTA fixed price offers do not change over the contract period and

[293] SoCalGas and SDG&E Comments on OII at 33-34.

[294] SoCalGas and SDG&E Comments on OII at 34.

[295] *See generally* A.22-09-015 (considering SoCalGas and SDG&E's application for authority to revise their natural gas rates and implement storage proposals).

[296] D.24-07-009 at 19-20.

[297] R.24-09-012, *Administrative Law Judges' Ruling Seeking Comments Regarding Interim Actions* (Nov. 13, 2024) at Attachment A, Question 2.b.

[298] AReM Comments on OII at 4.

the risk is solely on the CTA to manage gas market risk."[299] AReM also argue that CTAs have "skin in the game" to actively seek the lowest price gas, in contrast to utilities, which are authorized to pass the price spikes onto customers.[300] As such, AReM recommends that the Commission improve its CTA Cost Comparison website to compare gas procurement options, update price options monthly, at a minimum, and allow suppliers to directly update their current offers.[301]

CTAs procure natural gas on behalf of a group of core customers and then arrange for utilities and pipeline companies to transport it.[302] In the early 1990s, the Commission offered core gas customers the opportunity to aggregate their loads to participate in competitive gas markets. While this decision enabled CTAs to grow, it also led to a significant increase in complaints about CTAs' aggressive sales tactics, which appeared disproportionately focused on CARE customers.[303] In 2013, the California Legislature passed SB 656, establishing a regulatory framework for CTAs, which the Commission implemented in D.14-08-043 and D.18-02-002.

In D.18-02-002, the Commission rejected the recommendation to compare service prices between utilities and CTAs on its website.[304] It explained that the Legislature's intent is for the Commission to "provide information that allows a consumer to understand its core transport service options, and that the

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[299] *Ibid*.

[300] *Id*. at 4-5.

[301] *Id*. at 5.

[302] Order Instituting Rulemaking 14-03-002 at 3.

[303] R.14-03-002 at 4-5.

[304] D.18-02-002 at 93.

information and tools are objective and neutral and do not favor the gas utilities or the CTAs."[305] To that end, the Commission stated that it would comply with SB 656 by providing written information on the factors a consumer should consider when choosing among competing gas service providers.[306]

We are not persuaded to change the Commission's CTA Cost Comparison website in this decision. There is no evidence, beyond AReM's assertion, to support the conclusion that CTAs offer a superior-priced product as compared to gas utilities. Moreover, changing the Commission's CTA Cost Comparison website based on AReM's arguments would undermine SB 656's intent that the Commission remain objective and neutral.

6.11. Climate Credits

PG&E, SDG&E, and SoCalGas recommend that the Commission return the California Climate Credit (Climate Credit) to customers during the winter to mitigate ratepayer harm if natural gas price spikes recur.[307] Sierra Club argues that the Climate Credit should never subsidize fossil fuels but instead accelerate the transition to electrification.[308]

We decline to adopt the recommendations of PG&E, SDG&E, and SoCalGas in this decision. On July 24, 2025, the Commission opened R.25-07-013 to consider ways to improve the effectiveness of the Climate Credit. We encourage parties who are interested in this issue to follow and participate in R.25-07-013.

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[305] *Ibid*.

[306] *Ibid*.

[307] PG&E Comments on OII at 7; SoCalGas and SDG&E Comments on OII at 7, 32-33.

[308] Sierra Club Opening Comments on White Paper: Part I at 10.

6.12. Hedging

Hedges serve as a form of insurance that limits both potential losses and potential gains from market movements.[309] To protect core customers from paying the full cost of gas price spikes, SoCalGas Gas Acquisition and PG&E Core Gas Supply purchase physical and/or financial hedges.[310]

Injecting set amounts of gas into storage and acquiring specific amounts of interstate pipeline capacity are forms of physical gas hedges required by the Commission. This section does not focus on these types of physical hedges but rather on those that are covered by the hedging cost allocation results in the utilities' core procurement incentive mechanisms. Physical hedges in this category include physical gas contracts procured at fixed prices outside bidweek.[311] Financial hedges are purely financial transactions (contracts) that do not involve the physical delivery of gas.[312] They are also more flexible than physical hedges, as they can be structured in varying volumes and durations, settled financially without requiring physical gas delivery, and are more easily adjusted or unwound as market conditions change.[313]

In response to a national surge in gas commodity prices following Hurricane Katrina in 2005, the Commission approved emergency hedging plans to protect ratepayers.[314] All costs and benefits from these emergency hedges

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[309] White Paper: Part III at 2.

[310] *Ibid*.

[311] *Id*. at 12. In the context of the Gas Cost Incentive Mechanism (GCIM), physical hedges may include the possibility of physical delivery of gas, such as a gas contract at a fixed price.

[312] *Id*. at 3, 12.

[313] *Id*. at 14.

[314] D.05-10-015 at OP 1 (authorizing PG&E to make certain temporary adjustments); D.05-10-043 at OP 2 (authorizing SoCalGas and SDG&E to make certain temporary adjustments).

were allocated to ratepayers.[315] In subsequent decisions, the Commission authorized long-term hedging plans, imposed reporting requirements, and adjusted the core procurement incentive mechanisms to divide the costs and benefits of hedging between ratepayers and shareholders.[316] However, the Commission generally allows gas utilities' procurement divisions to hedge in the manner and to the extent they deem prudent. The Commission has found that "the most effective regulatory treatment of hedging is to leave hedging strategies to the expertise of the utility, but also incorporate a system of incentives [*i.e.*, the utilities' core procurement incentive mechanisms] to hold the utility financially accountable for its decisions."[317]

To monitor the procurement divisions' hedging activities, the Commission's Energy Division receives an annual, confidential winter hedging plan from SoCalGas Gas Acquisition and PG&E Core Gas Supply before the winter season begins.[318] In addition, SoCalGas Gas Acquisition and PG&E Core Gas Supply update ratepayer representatives and the Energy Division on hedging at confidential biweekly (SoCalGas) or monthly (PG&E) reliability meetings.[319] Staff used information from these meetings, as well as Cal Advocates' annual *Monitoring and Evaluation Reports*, for White Paper: Part III, which examined hedging during winter 2022-2023.

[315] *Id*. at OPs 2-4; D.05-10-043 at OPs 3-4.

[316] D.07-06-013 at OP 2; D.10-01-023 at OPs 3-6.

[317] D.10-01-023 at FOF 4.

[318] White Paper: Part III at 10.

[319] *Ibid*.

During winter 2022-2023, PG&E Core Gas Supply primarily relied on financial hedges rather than physical hedges.[320] To procure financial hedges, Core Gas Supply spent more than in past winters to pay premiums, commissions, and fees.[321] However, the gains from these contracts more than offset the costs. Based on this strategy, PG&E Core Gas Supply ended "in the money" — generating a positive financial settlement — and significantly reduced the utility bills of core customers.[322] While the exact amount is not currently publicly available,[323] White Paper: Part III states that if PG&E Core Gas Supply's hedging strategy had hedged less, or not at all, it would have forgone gains that "ultimately translated to ratepayer savings and reduced bill volatility during a price spike event."[324]

In contrast, SoCalGas Gas Acquisition procured primarily physical hedges but also ended winter 2022-2023 in the money.[325] For physical hedges, in the money means that the hedge created value compared to the benchmark price for that delivery month.[326] SoCalGas Gas Acquisition's net physical hedges resulted

[320] *Id*. at 2, 15.

[321] *Id*. at 16.

[322] *Id*. at 3.

[323] The Commission has not set a deadline for PG&E to submit its CPIM annual report, and, in the last three cycles, PG&E has taken between 16 and 20 months after the end of the CPIM period to submit its report. (White Paper: Part III at 32.) PG&E submitted its CPIM Annual Report for Year 30, which includes winter 2022-2023, on July 29, 2025. (*Id*. at 35, n.118.) The data in the CPIM Annual Report, including the exact amount of the reduction in core customers' utility bills, is not publicly available due to the pending Cal Advocates' report. (*Id*. at 3.) Cal Advocates has recently taken roughly a year to complete its *Monitoring and Evaluation Reports* for PG&E. (*Id*. at 9.)

[324] *Id*. at 3, 16.

[325] *Id*. at 2-3, 15.

[326] *Id*. at 3.

in approximately $10.1 million in savings, relative to the associated benchmark costs, modestly reducing core customers' utility bills.[327] According to White Paper: Part III, SoCalGas Gas Acquisition has historically hedged a smaller portion of its total core gas demand than PG&E Core Gas Supply.[328] The reasons for this may include a recent history of higher gas price volatility and a thinner trading market in SoCalGas's service territory as compared with PG&E's.[329]

Based on the review of the utility procurement divisions' 2022-2023 hedging practices and outcomes, White Paper: Part III does not recommend prescribing additional hedging practices at this time.[330]

SBUA recommends that the Commission require PG&E Core Gas Supply and SoCalGas Gas Acquisition to procure the same minimum coverage ratio as their core procurement, via a combination of financial and physical hedges.[331] SBUA states that these hedges should be employed and reported within a comparable overall incentive structure.[332] SoCalGas states that imposing minimum hedge coverage ratios is a complex topic that warrants careful evaluation, robust stakeholder input, and thoughtful consideration.[333] According to SoCalGas, this type of structural change is better addressed in a future proceeding.[334]

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[327] *Id*. at 3, 15.

[328] *Id*. at 16.

[329] *Id*. at 16-17.

[330] *Id*. at 13.

[331] SBUA Opening Comments on White Paper: Part III at 6.

[332] *Ibid*.

[333] SoCalGas Reply Comments on White Paper: Part III at 5.

[334] *Ibid*.

Sierra Club recommends that the Commission acknowledge that hedging is responsible for ratepayer losses and increases volatility.[335] According to Sierra Club, the $10.1 million in hedging savings achieved by SoCalGas Gas Acquisition translates to a savings of $0.13 per SoCalGas and SDG&E core customer.[336] Sierra Club asserts that a savings of "13 cents per month is not worth the risk, especially because the largest hedging gains that an IOU would be expected to achieve would occur during years with high gas prices."[337] Sierra Club suggests that the Commission eliminate hedging from the gas utilities' procurement divisions' incentive mechanisms.[338]

SCE does not recommend that the Commission prescribe hedging actions in this proceeding.[339] According to SCE, hedging comes at a cost, and it is infeasible to hedge fully against extreme, fundamental shifts in the market, such as a gas price spike.[340] Moreover, SCE notes that the Commission has already recognized the importance of utilities hedging wholesale prices when managing their portfolios and has authorized a hedging framework as part of utilities' approved procurement plans.[341]

SBUA's recommendation appears to address the incorporation of hedging into approved incentive mechanisms. We discuss recommendations on utility incentive mechanisms in the next section.

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[335] Sierra Club Reply Comments on White Paper: Part III at 5.

[336] *Id*. at 4.

[337] *Ibid*.

[338] *Id*. at 5.

[339] SCE Comments on OII at 4.

[340] *Ibid*.

[341] *Ibid*.

Here, we decline to adopt Sierra Club's suggestion to acknowledge that hedging is responsible for ratepayer losses and increased volatility. There is no support in the record for such a finding. Instead, the record supports a finding that hedging mitigates gas price spikes. We agree with the White Paper: Part III's description of hedging and find that hedges serve as a form of insurance that limits both potential losses and potential gains from market movements.[342]

We also agree with SCE and decline to prescribe hedging measures, such as requiring PG&E Core Gas Supply and SoCalGas Gas Acquisition to procure the same minimum coverage ratio via financial and physical hedges. While the Commission has authorized emergency hedging plans, it generally permits procurement divisions the flexibility to hedge prudently. The record does not support the need for identical coverage ratios via physical and financial hedges, or a similar detailed oversight mechanism at this time. For example, pipeline constraints that contributed to the gas price spike did not affect utilities equally, and hedge markets are not identical for gas purchasing departments.

Moreover, it is impossible to fully hedge against a gas price spike. Hedging is designed to limit losses from market volatility, not eliminate them. Given the inherent uncertainty and volatility of the gas commodity market, the hedging mechanisms authorized by prior decisions are sufficient at this time. We base this finding on the White Paper: Part III's conclusion that both PG&E Core Gas Supply and SoCalGas Gas Acquisition ended winter 2022-2023 with positive hedging outcomes, and White Paper: Part III's recommendation that we do not prescribe additional hedging practices in this decision.

[342] White Paper: Part III at 2.

6.13. Incentive Mechanisms

SoCalGas's Gas Cost Incentive Mechanism (GCIM) and PG&E's Core Procurement Incentive Mechanism (CPIM) have been in place since the 1990s. They are designed to encourage gas utilities to procure gas at a lower cost than market-based benchmarks.[343] When a utility's actual gas procurement costs are lower than the specified range (a "deadband" or "tolerance band"), ratepayers accrue most of the savings, and utility shareholders get a financial reward.[344] If a utility's actual gas procurement costs are higher than the specified range, shareholders refund a percentage of the overage to customers.[345]

White Paper: Part III presents an evaluation of the GCIM's performance (discussed in Section 6.14.1 below) and the CPIM's performance (discussed in Section 6.14.2 below) over 10-year periods and offers recommendations. Based on its evaluation, White Paper: Part III states that PG&E and SoCalGas's incentive mechanisms "still advance the [Commission]'s original goals of reducing regulatory burden, providing clear incentives, allowing for innovation, and aligning ratepayer and shareholder interests."[346] White Paper: Part III also clarifies that "core procurement incentive mechanisms are not intended to, and cannot, prevent price spikes in the deregulated natural gas commodity market."[347] Instead, they incentivize utilities to respond effectively to market conditions and to procure gas for core customers at a reasonable cost.[348]

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[343] *See* D.94-03-076, 53 Cal. PUC 2d 663, 1994 Cal. PUC LEXIS 231 at OP 1, OP 4; D.97-08-055, 179 P.U.R. 4th 485, 1997 Cal. PUC LEXIS 763, *83-84.

[344] White Paper: Part III at 19.

[345] *Ibid*.

[346] *Id*. at 5.

[347] *Id*. at 2.

[348] *Ibid*.

Party comments on the White Paper: Part III's recommendations are summarized in Section 6.14.3, and our discussion and determination are in Section 6.14.4.

6.13.1. Gas Cost Incentive Mechanism Performance

Using the *Monitoring and Evaluation Reports* issued by Cal Advocates, White Paper: Part III evaluated the GCIM's performance from April 1, 2014, through March 31, 2024. During the review period, Secondary Market Services revenues (*i.e.*, parks and loans[349]) and citygate net purchases were the primary drivers of GCIM savings.[350]

Comparing the period between GCIM year 22 (April 2016-March 2017) and year 23 (April 2017-March 2018), Secondary Market Services' net revenues increased by approximately $9.4 million.[351] Secondary Market Services' net revenues increased by another $19 million in the following GCIM year. These transactions may have become more valuable after the Aliso Canyon Storage leak and the rupture of Line 235-2, as access to SoCalGas's Unbundled Storage Program was unavailable to noncore customers and marketers during this period.[352] After the restart of the Unbundled Storage Program in year 30 (April 2023-March 2023), Secondary Market Services revenues declined by roughly $40 million.[353]

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[349] "Parks" allow a noncore customer or marketer to store its gas supplies using core storage capacity. Gas supplies may also be offered as "loans" to noncore customers and marketers for later repayment of those supplies at the same location for a term specified in the transaction contract. (White Paper: Part III at 25.)

[350] White Paper: Part III at 47-48.

[351] *Id*. at 45.

[352] *Ibid*.

[353] *Ibid*.

White Paper: Part III also found that SoCalGas Gas Acquisition's citygate net actual purchase costs were consistently below benchmark costs during the review period.[354] SoCalGas Gas Acquisition achieved this ratepayer benefit by selling contracted core gas supplies that were not needed to meet core demand.[355] In almost every year from 2015 to 2024, sales credits amounted to a significant fraction (more than 10 percent) of gross purchase costs, and in some years more than 20 percent.[356]

Economic opportunities from net purchases, including gas sales, yielded the largest overall savings relative to the benchmark in winter 2022-2023.[357] In December 2022, SoCalGas Gas Acquisition achieved $111 million in actual commodity savings relative to benchmark costs, largely by selling gas above the citygate benchmark price.[358] White Paper: Part III suggests that the Commission may wish to consider how SoCalGas's purchases and sales affect the monthly indices used to calculate GCIM benchmark costs.[359]

For winter 2022-2023, the hedges purchased by SoCalGas Gas Acquisition yielded net savings of $10.1 million relative to benchmark costs. However, in the subsequent year, SoCalGas Gas Acquisition's physical hedges incurred an excess cost of approximately $210 million relative to benchmark costs.[360] Under the

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[354] *Id*. at 36. According to White Paper: Part III, the benefit of purchases "below benchmark" is shared between ratepayers and shareholders, with ratepayers getting the greater share (75 percent for purchases between one and five percent below benchmark, and 90 percent for purchases more than five percent below benchmark). (*Id*. at 5.)

[355] *Id*. at 36.

[356] *Ibid*.

[357] *Id*. at 37.

[358] *Ibid*.

[359] *Id*. at 38.

[360] *Id*. at 42.

GCIM, only 25 percent of hedging-related excess costs or savings are incorporated into the incentive mechanism, with the remaining 75 percent allocated to core customers.[361] In contrast, 100 percent of the net gains and losses for non-winter hedges are included in the GCIM's actual costs.[362] White Paper: Part III questions whether excluding 75 percent of physical hedging excess costs and savings compared to the benchmark is in the public interest.[363]

White Paper: Part III recommends that the Commission require SoCalGas to clearly define physical hedges and explain how they are treated under the GCIM in its Preliminary Statement through a Tier 1 advice letter.[364] In addition, White Paper: Part III recommends that the Commission require Cal Advocates to clearly identify gains and excess costs from physical gas hedges in its *Monitoring and Evaluation Reports*.[365] Finally, White Paper: Part III suggests that the Commission review how physical hedges are treated under the GCIM and consider a cap on hedging costs in a future proceeding.[366]

6.13.2. Core Procurement Incentive Mechanism Performance

Using the *Monitoring and Evaluation Reports* issued by Cal Advocates, White Paper: Part III evaluated the CPIM's performance from November 1, 2012, through October 31, 2022.[367] White Paper: Part III's review period for the CPIM's performance differs from the GCIM and includes limited data for winter

[361] *Id*. at 42, 44.

[362] *Id*. at 42.

[363] *Id*. at 44.

[364] *Id*. at 44, 51.

[365] *Id*. at 44, 51.

[366] *Id*. at 44, 53.

[367] *Id*. at 35.

2022-2023. As explained in White Paper: Part III, PG&E does not have a set deadline for submitting its CPIM reports to the Commission, unlike SoCalGas.[368] PG&E did not submit its CPIM report for winter 2022-2023 until July 29, 2025.[369] Neither the Commission nor Cal Advocates had formally reviewed it before the issuance of White Paper: Part III in early October 2025.[370] As such, White Paper: Part III recommends that the Commission require PG&E's annual report to be submitted by a set deadline, so that a more timely review of PG&E's CPIM is possible.[371]

Based on its evaluation, White Paper: Part III states that sales were also critical to PG&E Core Gas Supply's ability to beat benchmark costs.[372] Indeed, PG&E Core Gas Supply's sales appear to account for a larger share of gross purchase costs than SoCalGas Gas Acquisition, ranging from about 18 percent to 40 percent during the study period.[373] Additionally, sales credits were more heavily weighted towards border/citygate sales.[374] During Winter Storm Uri in February 2021, Core Gas Supply increased sales at the basin and border and achieved a CPIM commodity savings of $112.8 million.[375]

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[368] *Id*. at 4.

[369] *Id*. at 35, n.118.

[370] *Id*. at 35.

[371] *Id*. at 67.

[372] *Id*. at 53.

[373] *Id*. at 54-55.

[374] *Id*. at 55.

[375] *Id*. at 61. In 2021, Winter Storm Uri hit Texas and the South-Central United States, resulting in well freeze-offs in Texas, major supply disruptions, and extreme price volatility. (White Paper: Part I at 16.)

White Paper: Part III highlights that PG&E Core Gas Supply can register gains or losses under the CPIM simply because its actual gas volumes purchased do not match the benchmark purchasing sequence.[376] This is because the CPIM benchmark commodity cost is based on an assumed purchase sequence across locations rather than on actual purchase volumes.[377] PG&E Core Gas Supply is not required to follow that purchase sequence.[378] For example, in one month, the CPIM load sequence resulted in a benchmark load of zero at the PG&E citygate.[379] That same month, Core Gas Supply recorded significant sales at the hub, resulting in substantial net savings on citygate purchases.[380]

However, White Paper: Part III states that the primary impact on CPIM performance during winter 2022-2023 was related to PG&E Core Gas Supply's winter and non-winter hedge activity.[381] Because Core Gas Supply's hedging results for winter 2022-2023 are not publicly reported, White Paper: Part III relies on confidential data that has not yet been vetted by Cal Advocates or the Commission to assess costs and gains. Through this review, White Paper: Part III finds that Core Gas Supply's financial hedges over winter 2022-2023 appear to have resulted in significant gains.[382]

White Paper: Part III suggests that the Commission require PG&E's Preliminary Statement to describe: (a) the daily benchmark load sequence;

[376] White Paper: Part III at 57.

[377] *Ibid*.

[378] *Ibid*.

[379] *Ibid*.

[380] *Ibid*.

[381] *Id*. at 56.

[382] *Id*. at 58.

(b) how daily benchmark indices to the citygate are determined; (c) how daily benchmark costs are determined; (d) the inclusion of Cochrane Extraction Revenues; (e) the magnitude of the tolerance range; and (f) the nature of "miscellaneous costs."[383]

6.13.3. Party Comments

PG&E, Sierra Club, SoCalGas, and TURN support White Paper: Part III's recommendation that utilities submit Tier 1 advice letters updating their Preliminary Statements to describe all aspects of core procurement incentive mechanisms.[384] PG&E, SBUA, Sierra Club, SoCalGas, and TURN also support a requirement that all utilities follow the same process for Commission approval of the shareholder award.[385] However, Sierra Club supports an application process, and PG&E recommends a Tier 2 advice letter.[386]

PG&E, SBUA, Sierra Club, and TURN support requiring PG&E's annual report to be submitted by a set deadline.[387] PG&E specifies the following proposed process:

1. Monthly/Quarterly Reports submitted to Cal Advocates within three months of the end of the gas flow month;

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[383] *Id*. at 67.

[384] PG&E Opening Comments on White Paper: Part III at 2; Sierra Club Opening Comments on White Paper: Part III at 3, 5; SoCalGas Opening Comments on White Paper: Part III at 2; TURN Opening Comments on White Paper: Part III at 2-3, 6.

[385] PG&E Opening Comments on White Paper: Part III at 2; SBUA Opening Comments on White Paper: Part III at 2-4; Sierra Club Opening Comments on White Paper: Part III at 3, 5; SoCalGas Opening Comments on White Paper: Part III at 3; TURN Opening Comments on White Paper: Part III at 2-3, 6.

[386] PG&E Opening Comments on White Paper: Part III at 2-3; Sierra Club Opening Comments on White Paper: Part III at 5.

[387] PG&E Opening Comments on White Paper: Part III at 3; SBUA Opening Comments on White Paper: Part III at 4; Sierra Club Opening Comments on White Paper: Part III at 3, 5; TURN Opening Comments on White Paper: Part III at 2-3, 6.

2. Full CPIM Annual Report submitted to Cal Advocates by April 30 (after completion of PG&E's Internal Audit);
3. Cal Advocates' issuance of its *Monitoring and Evaluation Report* within four months, by August 31; and
4. Tier 2 advice letter for shareholder award filed by September 30, or within 30 days of the *Monitoring and Evaluation Report*.[388]

6.13.4. Discussion

The issue before us is whether the Commission should take specific action to mitigate the harm to ratepayers if a gas spike event recurs. We agree with White Paper: Part III that the GCIM and CPIM continue to advance the Commission's original goals of reducing regulatory burden, providing clear incentives, enabling innovation, and aligning ratepayer and shareholder interests. Accordingly, his decision does not consider or adopt substantial changes to the GCIM and CPIM.

However, White Paper: Part III offers specific recommendations that would increase transparency, alignment, and stakeholders' understanding of how the GCIM and CPIM operate. We find that greater transparency, alignment, and understanding could mitigate harm to ratepayers should gas price spikes recur. We, therefore, adopt the following:

1. By August 31, 2026, PG&E and SoCal Gas shall submit Tier 1 advice letters updating their Preliminary Statements to thoroughly describe all aspects of their core procurement incentive mechanisms, including:
    a. A list of the gas industry journals used to calculate benchmark costs.
    b. For the SoCalGas GCIM, a list of the types of transactions that are considered to be physical hedges

[388] PG&E Opening Comments on White Paper: Part III at 3.

and a description of how benchmark costs for physical hedges are addressed.

c. For the SoCalGas GCIM, an indication that off-systems park and loan costs and revenues are a component of GCIM actual costs.

d. For the PG&E CPIM benchmark costs, a description of (i) how the daily benchmark load amounts are determined; (ii) how benchmark daily indices to the Citygate are developed; (iii) how benchmark costs are developed; and (iv) the CPIM purchase sequence.

e. For the PG&E CPIM actual costs, a description of (i) the types of costs included in the actual CPIM commodity costs, especially net purchases costs, volumetric transportation costs, Cochrane extraction revenues, merchandise processing fees, 100 percent of winter hedge loss/(gains), and miscellaneous costs; and (ii) the types of costs that are included in the actual transportation cost component of the CPIM.

2. By April 30 of each year, PG&E shall file an application to receive Commission approval of any shareholder award and submit its annual CPIM report to the Commission and Cal Advocates.

3. Cal Advocates shall:

a. Issue its *Monitoring and Evaluation Report* within four months of receiving gas utilities' full incentive mechanisms report.

b. In the *Monitoring and Evaluation Report* (i) identify gains and excess costs from physical gas hedges and how the physical hedges are incorporated in benchmark costs and actual costs; (ii) identify border and citygate purchase and sale information separately, rather than combined; and (iii) identify benchmark costs and volumes by basin and monthly indices.

All parties support these changes except for the method by which utilities request approval of any shareholder award. PG&E recommends that utilities

submit a Tier 2 advice letter, while Sierra Club recommends an application. We agree with Sierra Club. The application process gives the Commission greater discretion to assess whether shareholder awards are excessive or reasonable, particularly in the context of a gas price spike.

We note that White Paper: Part III did not analyze Southwest Gas's incentive mechanism. We, therefore, do not require Southwest Gas to update its Preliminary Statement or adhere to a new schedule. However, Southwest Gas may file a Tier 1 advice letter by August 31, 2026, to update its Preliminary Statement so that Southwest Gas may achieve further alignment with PG&E and SoCalGas.

6.14. Fuel Cost Sharing

Sierra Club recommends that the Commission require shareholders and ratepayers to share the costs of gas price volatility through a fuel-cost sharing mechanism that transitions responsibility for core customers' gas costs to utilities by 2040.[389] Sierra Club offers two paths: (1) each year until 2040, shareholders pay an increasing percentage of core customers' fuel cost; or (2) set a fuel cost sharing percentage at or rising to 20 percent of core procurement cost for 2025-2028.[390] According to Sierra Club, a fuel-cost sharing mechanism incentivizes utilities to support and optimize energy efficiency measures, supports fuel switching, and supports internal practices that minimize gas commodity prices for core customers.[391]

[389] Sierra Club Opening Comments on May 13, 2024 ACR at 6.

[390] Sierra Club Reply Comments on May 13, 2024 ACR at 6, 11-12.

[391] Sierra Club Opening Comments on May 13, 2024 ACR at 6.

SoCalGas urges the Commission to reject Sierra Club's proposal. It asserts that the GCIM has successfully operated for over three decades.[392] According to SoCalGas, Sierra Club's proposal would distort market signals and create negative incentives, given that the price signals sent to core customers would be too low.[393] SoCalGas further argues that requiring utilities to provide gas to core customers at a discounted price could threaten utilities' ability to attract capital.[394] Finally, SoCalGas states that in 2022-2023, SoCalGas procured core supplies below the benchmark, resulting in benefits to customers and a shareholder reward.[395] SoCalGas then voluntarily returned $37 million of its reward to core customers.[396]

PG&E also opposes Sierra Club's proposal to shift fuel cost responsibilities to shareholders. PG&E argues that replacing incentive mechanisms with fuel-cost sharing is beyond the scope of this proceeding.[397] According to PG&E, the cost shift could misalign natural gas usage with expense allocation, creating a financially unsustainable utility model that would jeopardize infrastructure investments.[398]

We decline to adopt Sierra Club's recommendations in this decision primarily because we cannot make findings to support replacing the incentive mechanisms with Sierra Club's model for fuel-cost sharing. Instead, we agree

[392] SoCalGas and SDG&E Reply Comments on May 13, 2024 ACR at 15.

[393] SoCalGas Reply Comments on White Paper: Part II at 12.

[394] *Ibid*. at 12.

[395] *Id*. at 13-14.

[396] *Id*. at 14.

[397] PG&E Reply Comments on White Paper: Part III at 2.

[398] PG&E Reply Comments on White Paper: Part II at 3.

with White Paper: Part III's finding that the GCIM and CPIM continue to advance the Commission's original goals of reducing regulatory burden, providing clear incentives, fostering innovation, and aligning ratepayer and shareholder interests. These findings support the conclusion of maintaining the GCIM and CPIM rather than switching to a fuel-cost sharing mechanism, as Sierra Club recommends. We also share PG&E and SoCalGas's concern that requiring shareholders to pay 20 percent or more of core commodity costs would create a financially unstable utility model.

Finally, we note that requiring both PG&E and SoCalGas to file an application to receive any shareholder award provides additional oversight from both the Commission and interested parties. Our goal is that increased transparency and oversight will ensure that the GCIM and CPIM continue to advance the Commission's original goals.

7. Efforts to Further Inform Commission Decision Making on Gas Markets and Gas Price Spikes

White Paper: Part II assesses whether the Commission should collect or examine any additional information beyond the record to understand the market dynamics that caused or contributed to the gas price spike. Based on this assessment, White Paper: Part II recommends that the Commission collect or examine additional information to assess whether the ISP market remains competitive.

By way of background, in D.97-07-091, the Commission granted Wild Goose a CPCN to provide storage services at market-based rates, making it the first public utility ISP in California.[399] In D.00-05-048, the Commission also

[399] D.97-06-091, 1997 Cal. PUC LEXIS 507 at COL 11.

granted Lodi a CPCN at market-based rates.[400] According to the Commission, Lodi demonstrated that it does not have market power because it "(a) is a newcomer to the California gas storage market; (b) starts out with a customer base of zero; and (c) is not in a position to force any of the other utilities to exit the market."[401] In D.09-10-035 and D.10-10-001, the Commission granted Gill Ranch and CVGS, respectively, CPCNs at market-based rates.[402]

In D.09-10-035, the Commission put forward a four-factor market power analysis to find that Gill Ranch does not have market power:

1. Whether the applicant is a new entrant to California;
2. Whether the proposed project creates risks for core ratepayers;
3. Whether the applicant or any of its affiliates owns or controls gas transportation; and
4. Whether the applicant or any of its affiliates controls other natural gas facilities.[403]

In D.19-09-025, the Commission authorized PG&E to rely on ISPs to provide firm storage services to meet the reliability standard for core customers, subject to a solicitation and evaluation process.[404] The Commission recognized that one of the factors underpinning its policy allowing ISPs to charge market-based rates — the assumption that ISPs would primarily serve noncore customers — would change as a result of the decision.[405] However, the

[400] D.00-05-048 at OP 2.

[401] *Id*. at 34.

[402] D.09-10-035 at OP 1; D.10-10-001 at OP 8.

[403] D.09-10-035 at 51.

[404] D.19-09-025 at OP 19.

[405] *Id*. at 48.

Commission stated that it could require ISPs to file applications to establish cost-based rates for storage services provided to core customers if relying on ISPs to provide firm storage services caused market disruptions.[406]

White Paper: Part II evaluates the current gas storage market to assess whether it has remained competitive since D.19-09-025. According to White Paper: Part II, Wild Goose and Lodi, the two largest ISP gas storage fields in Northern California, were important sources of supply during the price spike.[407] Gill Ranch and CVGS also provided a moderate and steady supply.[408] During winter 2022-2023, the volume of gas in the ISPs' storage inventory declined by 74 percent.[409] In comparison, PG&E's storage inventory levels decreased by 68.2 percent.[410]

In addition to the critical role ISPs played in maintaining reliability during the gas price spike, White Paper: Part II also notes that Wild Goose and Lodi are both owned by Rockpoint Gas Storage.[411] As Wild Goose and Lodi are the two largest ISPs, Rockpoint Gas Storage's ownership equates to over 77 percent of the total ISP inventory capacity.[412]

Finally, White Paper: Part II highlights D.19-09-025, which requires PG&E to contract with ISPs for core storage to meet its core customer demands.[413]

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406 *Id*. at 48.

407 White Paper: Part II at 14.

408 *Ibid*. at 14.

409 *Id*. at 19.

410 *Ibid*.

411 *Id*. at 25.

412 *Ibid*.

413 *Id*. at 27.

Specifically, PG&E must comply with a Reliability Standard currently set at 2,595 MMcfd — the amount of gas supply sufficient to meet core demand on the coldest day in 10 years.[414] Of that supply, a significant portion comes from the PG&E citygate and ISPs' storage facilities.[415] While the specific amount of withdrawal capacity PG&E Core Gas Supply must obtain from ISPs is confidential, White Paper: Part II states that "the ISPs know, within a relatively narrow range, how much storage capacity PG&E's Core Gas Supply must procure."[416]

To assess whether bundled core ratepayers have been charged competitive rates for gas storage contracts, Energy Division staff analyzed contracts held by PG&E's Core Gas Supply.[417] White Paper: Part II states that the contracts do not appear to violate tariffs, which allow ISPs to charge for a wide range of prices.[418] However, they raise questions about whether the ISP market remains competitive given the requirement that PG&E's Core Gas Supply procure large quantities of ISP storage. Specifically, White Paper: Part II recommends the following areas for further inquiry:

1. Review ISPs' ownership of storage capacity, contract pricing, and market concentration;
2. Evaluate whether current ISP tariff structures protect ratepayers from excessive pricing in light of the updated review of storage markets;
3. Adopt requirements for ISPs to publicly report daily inventory levels, which could provide prospective

[414] *Ibid*.

[415] *Ibid*.

[416] *Ibid*.

[417] *Id*. at 28.

[418] *Id*. at 8.

customers with more leverage when negotiating new ISP contracts; and

4. Undertake a cost-of-service study to determine if the rates charged by ISPs are justified (such as by comparing their rates to actual long-run marginal costs) and reflect a competitive market or an imbalance in market power.[419]

In response to White Paper: Part II, CVGS, Gill Ranch, Wild Goose, and Lodi oppose the recommendation that the Commission undertake a cost-of-service study. According to ISPs, the storage market has not changed significantly since the 1990s. If the Commission undertakes further inquiry into the ISP market, CVGS warns that it could affect the investors supporting the ISP market and new entrants to the California market.[420] Gill Ranch, Wild Goose, and Lodi assert that further analysis into fundamental ISP factors would not serve to address the stated purpose of this proceeding.[421]

Wild Goose and Lodi state that ISP tariffs are not the mechanism for controlling storage pricing, and that an individual ISP's long-run marginal costs do not determine individual contracts or reflect whether the market itself is competitive.[422] Instead, Wild Goose and Lodi recommend that the Commission examine the terms that PG&E required of the ISPs, the effect those requirements may have had on the ISPs' ability to enter into other contracts, the then-prevailing market price of storage, and other factors that existed at the time the contracts were negotiated.[423]

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[419] *Id*. at 29.

[420] CVGS Opening Comments on White Paper: Part II at 11-12.

[421] Gill Ranch Opening Comments on White Paper: Part II at 6; Wild Goose and Lodi Reply Comments on White Paper: Part II at 2.

[422] Wild Goose and Lodi Opening Comments on White Paper: Part II at 17.

[423] *Ibid*.

Here, we must determine whether the Commission should collect or examine any additional information beyond the record to understand the market dynamics that caused or contributed to the gas price spike. White Paper: Part II demonstrates that the ISPs provide a critical service to a captive customer: PG&E Core Gas Supply on behalf of core customers. It also shows that Rockpoint Gas Storage owns a significant share of ISP storage inventory capacity in California. These features are standard among regulated monopolies that charge cost-of-service rates, not market-based rates that the Commission allows ISPs to charge. However, the record before us does not enable a full understanding of ISP market dynamics.

Given the lack of a record that informs a complete understanding of the broader dynamics involved in price spikes, we conclude that it is reasonable for the Commission to:

1. Review ISPs' ownership of storage capacity, contract pricing, and market concentration; and
2. Evaluate whether current ISP tariff structures protect ratepayers from excessive pricing in light of the updated review of storage markets.

To clarify, these actions will not take place in the record of this proceeding, which will close as of the effective date of this decision. Instead, the Commission will undertake these actions outside this proceeding. For example, the Commission may review an ISP's ownership of storage capacity, contract pricing, and market concentration when considering an ISP's application to the Commission that asserts it lacks market power. Similarly, the Commission may evaluate whether an ISP's tariff structure protects ratepayers from excessive pricing by applying the four-factor market power analysis put forward in D.09-10-035.

White Paper: Part II makes two additional recommendations. First, White Paper: Part II recommends that we require ISPs to publicly report daily inventory levels. This recommendation does not require any further information outside the record; we address it in Section 12.3 below.

Second, White Paper: Part II recommends that we undertake a cost-of-service study to determine if the rates charged by ISPs are justified and reflect a competitive market or an imbalance in market power. We decline to adopt this recommendation because we do not find sufficient justification in White Paper: Part II to conduct such a study. Moreover, we share the ISPs' concern that stating we will undertake a cost-of-service study at an unspecified future date will create unnecessary market uncertainty.

8. Gas and Electric Market Interactions

This section examines the interactions between the gas and electricity markets that affected consumer costs during winter 2022-2023 and currently. To assist with the Commission's consideration of this issue, CAISO filed a review of gas prices and their impact from late November 2022 through the end of January 2023 (CAISO Report).[424] White Paper: Part II also examines wholesale electric market costs and their impact on electric bills for some IOU customers. Based on this record, we consider: (1) gas and electric market interactions during winter 2022-2023 (Section 8.1 below); (2) how wholesale electric prices affected costs to consumers during winter 2022-2023 (Section 8.2 below); and (3) how the Commission should continue to examine gas and electric market interactions that affect costs to consumers (Section 8.3 below).

[424] California ISO, *Gas Conditions and CAISO Markets* (Feb. 6, 2023) (CAISO Report), *available as an attachment to* CAISO Comments on OII.

8.1. Gas and Electric Market Interactions During Winter 2022-2023

Historically, and in 2022, gas resources have often set the marginal price of electricity in the CAISO market.[425] This means there is typically a clear correlation between natural gas and electricity prices — when wholesale natural gas prices in the CAISO market rise, electricity prices in the CAISO market also rise; conversely, when natural gas prices fall, electricity prices fall.[426] To confirm whether high gas prices during winter 2022-2023 led to higher electricity prices, White Paper: Part II presents a technical analysis.[427] This analysis finds that the correlation between gas and electricity prices in winter 2022-2023 "became much stronger, showing that gas prices were the main driver of higher electricity prices" during the gas price spike.[428]

According to White Paper: Part II, the increase in correlation reflects tight gas market conditions in the Western United States.[429] In December 2022, net electricity imports into California were much lower than in prior years, and gas-fired generation in the CAISO supply was significantly higher than in prior years.[430] The likely cause of low electric imports was lower-than-normal hydroelectric generation in the Pacific Northwest, associated with drought

[425] CAISO Report at 22; White Paper: Part II at 9, 34.

[426] White Paper: Part II at 34.

[427] *Id*. at 46-69.

[428] *Id*. at 47.

[429] *Id*. at 49.

[430] *Id*. at 9, 25; CAISO Report at 28.

conditions, combined with high natural gas prices throughout the West.[431] Additionally, electric demand in 2022 was higher than in 2021.[432]

Higher demand for gas from in-state gas-fired electric generators than in previous years exacerbated pressure on the wholesale gas market and contributed to elevated wholesale electricity costs.[433] The CAISO Report states that wholesale costs in December 2022 were four times higher than in previous years and three times higher than in November 2022.[434] White Paper: Part II states that wholesale electricity market costs were approximately $21.6 billion in 2022, compared to $12.6 billion in 2021 and $14.5 billion in 2023.[435]

8.2. Impact of High Wholesale Electric Costs on Ratepayers During Winter 2022-2023

Both the CAISO Report and White Paper: Part II note that high electricity price events in the CAISO market do not immediately increase retail residential electric bills. First, load-serving entities may use hedging practices, such as owning generation or locking in long-term contracts at fixed prices, to mitigate the impact of spikes in gas and electricity market prices on residential customers.[436] The CAISO Report speculates that load-serving entities likely hedged to reduce their exposure to wholesale cost variability, which may have insulated them from a significant portion of this increase.[437] However, White Paper: Part II states that the amount and value of hedging may be limited in

[431] White Paper: Part II at 9, 35; CAISO Report at 28.

[432] CAISO Report at 28.

[433] White Paper: Part II at 35.

[434] CAISO Report at 25.

[435] White Paper: Part II at 9, 40.

[436] *See id.* at 42; CAISO Report at 27.

[437] CAISO Report at 27.

winter months.[438] Additionally, a volatile gas market, such as the one during winter 2022-2023, can complicate risk management and hedging strategies.[439]

Second, the generation rate for bundled customers is set based on IOUs' forecast fuel and purchased power costs for the year preceding the inclusion of those costs in rates, which are approved through the Commission's Energy Resource Recovery Account (ERRA) proceedings.[440] If the approved forecast is too low, the utility may generally recover the undercollection in the year in which the actual costs are incurred (*i.e.*, the following year). However, if the forecasts deviate significantly, the IOUs must submit an "ERRA trigger" application to determine if the IOUs should true-up rates earlier.

In the wake of the winter 2022-2023 gas price spike, SCE and PG&E filed ERRA trigger applications on January 31, 2023, and July 28, 2023, respectively.[441] In D.23-04-012, the Commission approved SCE's application and permitted SCE to recover $454 million in above-forecast costs over 12 months from its bundled service customers.[442] This resulted in a one cent per kilowatt-hour (kWh) increase over 12 months for SCE bundled service residential customers, amounting to an increase of $5 per month (for non-CARE residential customers).[443] In D.23-12-022, the Commission approved PG&E's application

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[438] White Paper: Part II at 43.

[439] *Id*. at 50.

[440] *Id*. at 43.

[441] *Id*. at 44-45.

[442] D.23-04-012 at OPs 2-3 (authorizing recovery up to $595.615 or an amount that allows SCE to maintain its ERRA Trigger Balance as demonstrated in a Tier 1 advice letter); Advice Letter 5036-E, *Implementation of Southern California Edison Company's 2023 Energy Resource Recovery Account Trigger Mechanism Balance in Accordance with Decision 23-04-012* (May 15, 2023).

[443] White Paper: Part II at 44.

and permitted PG&E to recover $256 million over six months.[444] This resulted in a two cent per kWh increase.[445] White Paper: Part II states that PG&E's recovery is "roughly consistent" with SCE's.[446]

SDG&E did not increase its generation rates through an ERRA trigger application in 2023.[447] Accordingly, White Paper: Part II does not present how high wholesale electricity costs in 2022 impacted SDG&E's customers.[448]

8.3. Gas and Electricity Market Interactions Beyond Winter 2022-2023

The analysis in White Paper: Part II appears to demonstrate that market fundamentals, instead of improper or anti-competitive behavior, drove energy price outcomes during the review period (2020-2024).[449] Below, we find that specific interactions between the gas and electric markets affect consumer costs and acknowledge White Paper: Part II's recommendations for future study.

First, we find that basic supply-and-demand interactions affect energy consumers. As discussed above, the high in-state, gas-fired generation demand during winter 2022-2023 exacerbated pressure on the wholesale gas market and contributed to elevated wholesale electricity costs. To build on this finding, White Paper: Part II recommends:

1. Assessing gas supply and demand balance and reliance, especially during periods of extreme cold or heat,

[444] D.23-12-022 at OP 6.

[445] White Paper: Part II at 45.

[446] *Ibid*.

[447] *Id*. at 43.

[448] *Ibid*.

[449] *Id*. at 68.

combined with supply disruptions, such as pipeline or storage outages.[450]

2. Monitoring continued electric grid reliance on gas and growing penetration of flexible resources — including batteries, ramping capability, and renewable solar output — to assess how much gas is needed when more flexible options are unavailable or constrained.[451]
3. Analyzing transmission and import limitations, to understand whether congestion or restricted access to out-of-state electricity made it more difficult to manage costs during tight market conditions.

Second, we find that gas market volatility can complicate risk management and hedging strategies more for utilities.[452] This can increase utilities' exposure to spiking wholesale electricity costs. To build on this finding, White Paper: Part II recommends:

4. Assessing the effectiveness of electricity market signals, such as forward prices, in giving utilities and buyers enough warning to manage risks.

Third, we find that there is typically a clear correlation between gas prices and electricity prices. However, after 2022, PG&E and SoCalGas gas prices became more correlated in both winter and summer, with a stronger correlation in the winter. To build on this finding, White Paper: Part II recommends:

5. Understanding why PG&E and SoCalGas gas prices became more closely correlated after 2022.[453]

We support White Paper: Part II's recommendations regarding the areas of future study. The Energy Division may undertake aspects of these

[450] *Id*. at 69.

[451] *Ibid*.

[452] *Ibid*.

[453] *Ibid*.

recommended areas of study as part of its biennial assessments of gas demand and potential changes to the maximum storage limit at Aliso Canyon. In addition, the Energy Division may undertake a more comprehensive study that includes the dynamics of both Southern and Northern California as part of another proceeding.

9. Utility Communications

When this investigation opened, the Commission committed to determining whether spike-related utility communications to customers are sufficient or require modifications.[454] Accordingly, the assigned Commissioner directed the gas utilities to provide copies and links to customer communications before and during the winter price spike, as well as information about their communication protocols, lessons learned, and methods.[455]

Upon review of the gas utilities' responses, we find that the communications strategies employed by the largest gas utilities (PG&E, SDG&E, SoCalGas, and Southwest Gas) differ from those used by the smaller gas utilities (Alpine and West Coast Gas). This finding is unsurprising given the varying resource levels across the utilities. Nevertheless, all California gas customers should receive timely and adequate notice of gas price spikes so they can adjust their usage as feasible. We discuss our findings regarding the timeliness and accuracy of the large utilities' communications before and during the gas price spike in Section 9.1, and the smaller utilities in Section 9.2 below.

In Section 9.3, we consider whether utilities should improve the adequacy of customer communications in the event of future gas price spikes. To inform

[454] OII at 10-11.

[455] September 11, 2023 ACR at 4.

our consideration, the utilities provided an update on their communications after the winter of 2022-2023 and recommendations for further improvements. Parties also provided recommendations that inform the findings and conclusions in Section 9.3.

9.1. Large Utility Communications Before and During the Gas Price Spikes

Here, we assess the timeliness and adequacy of the large utilities' communications before and during the gas price spikes.

9.1.1. Large Utilities Communications

Each winter, PG&E, SDG&E, SoCalGas, and Southwest Gas launch seasonal communication campaigns to help customers prepare for higher winter bills. PG&E, SDG&E, SoCalGas, and Southwest Gas began their seasonal customer communications in September (SoCalGas) and October (PG&E, SDG&E, and Southwest Gas) 2022 to explain winter gas prices and rate options, promote financial assistance programs and payment plans, and highlight tools and tips to help customers save energy and money.[456] PG&E, SDG&E, SoCalGas, and Southwest Gas employed a multichannel approach that included digital advertising, email, social media, bill inserts, press releases, phone calls, and engagement with community-based organizations (CBOs).[457] PG&E, SDG&E, and SoCalGas also conduct targeted outreach to vulnerable customers to inform them about income-eligible programs, including CARE, FERA, and LIHEAP.[458]

[456] PG&E Comments on OII at 12; SoCalGas and SDG&E Comments on OII at 44-57; Southwest Gas Comments on OII at Attachment 1; Southwest Gas Opening Comments on September 11, 2023 ACR at 9-10.

[457] PG&E Comments on OII at 13-14; SoCalGas and SDG&E Comments on OII at 44-49, 51-55; Southwest Gas Comments on OII at Attachment 1; Southwest Gas Opening Comments on September 11, 2023 ACR at 9-10.

[458] PG&E Comments on OII at 13; SoCalGas and SDG&E Comments on OII at 47, 55.

Although the Telephone Consumer Privacy Act (TCPA) restricts text messages that gas utilities can send to consumers,[459] PG&E, SDG&E, and SoCalGas have opt-in text programs to alert customers to potentially high bills. PG&E's Bill Forecast Alert notifies customers when their daily usage is forecasted to reach a customer-defined bill threshold.[460] SDG&E also offers text-message bill alerts for customers who opt in and allows customers to receive text messages specifically about a gas price spike if they provide a separate disclosure.[461] SoCalGas's Natural Gas Price Notice offering provides opt-in text communications if monthly gas prices reach a level that could result in a 20 percent or greater bill increase on the average bill.[462] While Southwest Gas generally reserves text communications for urgent situations or emergencies, such as outages, it may also use text communications during extreme weather events, accompanied by robocalls or emails.

During the price spike, PG&E, SDG&E, SoCalGas, and Southwest Gas adjusted their seasonal communications protocols. For example, PG&E increased the volume, cadence, and channels of communication to reach customers, drawing on lessons from previous campaigns to address the severity of the price increases.[463] These communications directed customers to an article on PG&E's news site, Currents, which was updated as new pricing became

[459] *See* 47 U.S.C. § 227(b)(1)(A)(iii).

[460] PG&E Opening Comments on September 11, 2023 ACR at 29.

[461] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 20.

[462] *Id*. at 19.

[463] PG&E Comments on OII at 12-13.

available and was translated into Spanish and Chinese.[464] PG&E also increased promotions for Budget Billing, a program to offset bill spikes.[465]

SDG&E's leaders across several departments met weekly throughout the first quarter of 2023 to ensure customers with complaints were provided with options.[466] During the first quarter of 2023, SDG&E also sent CARE and FERA outreach emails to potentially eligible customers, continued paid search advertising, and promoted customer assistance on social media and through bill messaging.[467] On January 2, 2023, SDG&E ran additional advertisements to inform customers of higher natural gas prices and the associated increases in their bills.[468] SDG&E updated its primary homepage to highlight the historic natural gas market conditions and assistance programs and added a banner message at the top of every webpage.[469] SDG&E also states that all major local news outlets, including many smaller community publications, ran or aired stories on the commodity price spike as a result of the company's media outreach over a period of months.[470] When the weather in SDG&E's service area became unusually cold over the last week in February 2023, SDG&E ran digital banner ads, organic social media, and paid social media graphics.[471]

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[464] *Id*. at 13.

[465] *Ibid*.

[466] SoCalGas and SDG&E Comments on OII at 52.

[467] *Id*. at 56.

[468] *Id*. at 52.

[469] *Id*. at 53-54.

[470] *Id*. at 54.

[471] SoCalGas and SDG&E Comments on September 11, 2023 ACR at 16.

In November 2022, SoCalGas deployed its annual email-based communications campaign early, targeting customers who received a "high bill investigation" (HBI) service order during the prior winter.[472] SoCalGas also expanded the target list to include customers who called their customer contact center about HBI and those who received a follow-up letter from a Customer Service Representative.[473] Separately, from December 2022 to January 2023, SoCalGas sent non-bill-related direct customer emails, reaching approximately 4.1 million customers per email deployment.[474] The December email informed customers that higher bills were expected due to rising natural gas prices and an anticipated increase in transportation rates. The January email focused on the unprecedented impact of the colder weather on usage and natural gas prices.[475] From December 2022 to March 2023, SoCalGas's news site, Newsroom, ran four blog posts about the gas price spike.[476] In January and February 2023, SoCalGas ran pop-up digital ads to increase awareness among its homepage visitors and provide information.[477] Messaging in January focused on higher gas prices, and in February, on understanding bills.[478] Finally, SoCalGas states that it conducted

[472] SoCalGas and SDG&E Comments on OII at 47. SoCalGas customers may request that a SoCalGas service technician be sent to the customer's premises to investigate the cause of a high bill. SoCalGas classifies this order type as an HBI.

[473] SoCalGas and SDG&E Comments on OII at 47.

[474] *Id*. at 46.

[475] *Ibid*.

[476] *Id*. at 46-47.

[477] *Id*. at 45-46.

[478] *Id*. at 44-46.

outreach to foodservice organizations, restaurant associations, trade professions, CBOs, and all 223 municipalities and 12 counties within its service area.[479]

Southwest Gas modified the messaging of its annual winter safety campaign to focus on high-bill education and cost-saving tips and programs.[480] The modified messaging appeared on Southwest Gas's corporate website homepage and a landing page.[481]

All utilities report that their winter 2022-2023 communications were effective. According to PG&E, significant increases in program participation and engagement demonstrate the effectiveness of its communications.[482] Eligible PG&E customers received more than $24 million in bill credits from LIHEAP from January through March, representing an increase of over $8 million compared to the same period in 2022.[483] PG&E's Energy Usage Details widget and Projected Bill and Bill Comparison features recorded the highest number of visits and engagement to date.[484] PG&E sent nearly 2.5 million bill forecasts during the first quarter of 2023, which it asserts led to 30 percent

[479] *Id*. at 48. SoCalGas explains that these communications included direct calls and in-person presentations at city council meetings, informational sessions related to gas prices provided by subject matter experts from its gas acquisition, customer service, and public affairs groups. (*Ibid*.) Additionally, SoCalGas states that its outreach efforts through Regional Public Affairs, Account Representatives, and third-party contracts enabled it to engage over 50 organizations/associations with critical awareness and factors leading to higher natural gas prices and bill impacts. (*Ibid*.) SoCalGas provided the Commission with sample emails that the Account Representatives sent to assigned commercial and industrial customers. (SoCalGas and SDG&E Comments on OII at A-4, A-5.)

[480] Southwest Gas Comments on September 11, 2023 ACR at 10.

[481] Southwest Gas Comments on OII at Attachment 1, 5-6; Southwest Gas Comments on September 11, 2023 ACR at 10.

[482] PG&E Opening Comments on September 11, 2023 ACR at 23.

[483] *Ibid*.

[484] *Ibid*.

energy-efficiency savings from Home Energy Reports.[485] Finally, visits to PG&E's winter tips landing page increased by over 165 percent in January through March 2023, compared to the same period in 2022.[486]

SDG&E also asserts that the performance metrics for many of its communications during winter 2022-2023 exceeded its benchmarks.[487] From November 2022 to March 2023, SDG&E sent over six million emails about winter pricing, with an open rate three percent higher than the average for SDG&E emails in 2022.[488] From December 2022 to March 2023, SDG&E's "My Account" system was accessed by approximately 475,000 customers per month, comprising 96 percent residential and four percent business customers.[489] As of March 30, 2023, SDG&E had held nine events at its branch offices in coordination with Campesinos Unidos, Inc. of San Diego, resulting in more than 800 attendees and over 500 LIHEAP enrollments.[490]

SoCalGas saw a 63 percent increase in new visitors to its resource webpage on January 15, 2023, compared to January 2022.[491] According to a qualitative research study conducted by the company in April 2023, SoCalGas reports that its customers found the information on its "Manage Higher Bills" webpage useful.[492] SoCalGas's adjusted HBI communications campaign also reached

[485] PG&E Opening Comments on May 13, 2024 ACR at 3.

[486] PG&E Opening Comments on September 11, 2023 ACR at 23.

[487] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 21.

[488] *Id*. at 16.

[489] SoCalGas and SDG&E Comments on OII at 57.

[490] *Ibid*.

[491] *Id*. at 45.

[492] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 15.

roughly 65,000 customers by the end of November.[493] Through its accelerated outreach, SoCalGas contacted more than 50 organizations and associations to raise awareness of the critical factors driving higher natural gas prices and the associated impacts on bills.[494]

Southwest Gas measures the effectiveness of its outreach by the frequency of customer contacts across its channels.[495] Southwest Gas highlights its annual winter campaign and ongoing conservation messaging across earned, owned, and paid channels.[496] According to Southwest Gas, this campaign offers several opportunities for education and engagement on higher energy bills, conservation tips, and information about low-income programs.[497]

9.1.2. Party Comments

Four parties commented on the timeliness and adequacy of PG&E, SDG&E, SoCalGas, and Southwest Gas's communications before and during the gas price spike. Sierra Club notes that none of the communications listed electrification as a solution for decreasing gas bills.[498] TURN and UCAN emphasize the importance of notifying customers "in advance how much essential energy services will cost each month."[499] UCAN also recognizes that SDG&E proactively communicated with customers. However, UCAN argues

[493] SoCalGas and SDG&E Comments on OII at 47.

[494] *Id*. at 48.

[495] Southwest Gas Comments on September 11, 2023 ACR at 9.

[496] *Ibid*.

[497] *Ibid*.

[498] Sierra Club Reply Comments on September 11, 2023 ACR at 15-16.

[499] TURN Reply Comments on September 11, 2023 ACR at 3; UCAN Reply Comments on September 11, 2023 ACR at 3.

that the notices significantly understated the scope and impact of the gas price spike.[500]

CforAT asserts that more information and online bill management tools will not provide customers with relief from price spikes.[501] Specifically, CforAT states that email open rates, contact frequency, and nominal charitable donations do not provide tangible assistance to customers in times of crisis.[502] According to CforAT, "Customers who already seek to minimize their usage and who do not have flexibility to reduce their usage more, including a disproportionate number of low-income and vulnerable customers, will not benefit from the common 'tips' repeatedly issue[d] by the gas utilities."[503]

9.1.3. Discussion

We agree with TURN and UCAN that gas utilities' winter communications must inform customers of rising prices *before* customers receive their bills. As TURN notes, website visits during the gas price spike clearly show that customers were "searching desperately for actions their households could take to mitigate these unexpected increases in monthly costs."[504]

We assess the timeliness of the largest utilities' communications by considering whether customers had sufficient notice to adjust their behavior in response to the information. PG&E, SDG&E, SoCalGas, and Southwest Gas began notifying their customers of higher winter gas bills before the start of the gas winter on November 1, 2022. When the historic nature of the gas price spike

[500] UCAN Reply Comments on September 11, 2023 ACR at 3.

[501] CforAT Reply Comments on September 11, 2023 ACR at 2, 5, 7.

[502] *Id*. at 3-5.

[503] *Id*. at 3.

[504] TURN Reply Comments on September 11, 2023 ACR at 2.

became apparent, PG&E, SDG&E, SoCalGas, and Southwest Gas adjusted their communication campaigns. While this adjustment occurred as early as November 2022 for SoCalGas, the other utilities launched their gas price spike communications in December 2022. For customers who could adjust their gas usage or were eligible to participate in an assistance program, the timing of PG&E, SDG&E, SoCalGas, and Southwest Gas's communications enabled them to act before receiving their January and February bills. As such, we find that PG&E, SDG&E, SoCalGas, and Southwest Gas's communications, both before and during the gas price spike, were timely.

We review the adequacy of the largest utilities' communications by assessing whether customers had sufficient information about the gas price spike to make reasonable decisions in response. At the outset, we recognize that factors beyond the utilities' control may make elements of gas commodity spikes unpredictable. For example, gas utilities may be unable to accurately forecast the exact fluctuations in customers' bills during periods of significant market volatility. Nevertheless, it is reasonable to expect gas utilities to make transparent and relevant information accessible to their customers so customers can prepare accordingly.

Here, the comments and communications documents from PG&E, SDG&E, SoCalGas, and Southwest Gas demonstrate that the largest utilities employed various methods to communicate the severity of the price spike to their customers, including paid advertising, emails, and outreach. Additionally, each gas utility proactively updated its website to include information on higher gas prices and bill management options to accommodate the increased number of visitors. This information was relevant to help customers understand and

respond to the gas price spike. It also ensured that information was accessible to customers in multiple formats.

While we recognize UCAN's assertion that SDG&E underestimated the scope and impact of the gas price spike, we also acknowledge that the specific bill impacts were difficult to predict in light of volatility. However, the large utilities provided general information on the impact of bills. For example, SoCalGas filed a sample email that alerted 4.1 million residential, CARE, and small business customers to the possibility that the January 2023 bill would "likely be more than double the typical bill last January, assuming the same amount of natural gas is used."[505] In addition, SDG&E emailed residential and business customers in January 2023 that a "typical residential customer can expect an increase of ~$120 on their monthly natural gas bill relative to last January."[506] Based on this record, we find that PG&E, SDG&E, SoCalGas, and Southwest Gas's communications were adequate because they were reasonably transparent, relevant, and accessible to customers through a variety of communication methods.

Our finding that the large utilities' communications before and after the price spike were timely and adequate does not overlook the points raised by CforAT. We agree that utility communications do not provide relief to customers who are already enrolled in assistance programs or who cannot reduce their energy usage. We discuss actions to mitigate ratepayer harm in the event of another gas price spike in Section 6.

[505] SoCalGas and SDG&E Comments on OII at A-3.

[506] *Id*. at B-4.

9.2. Small Utility Communications Before and After the Gas Price Spike

The Commission has authorized three small utilities to provide gas service in California: Alpine, West Coast Gas, and SCE — Catalina Island. SCE — Catalina Island owns and operates a propane gas distribution system, not a natural gas distribution system.[507] While all hydrocarbon fuels are subject to volatile pricing, propane did not experience a similar price spike during the winter of 2022-2023.[508] Therefore, this section focuses on the timeliness and adequacy of Alpine and West Coast Gas's communications, not on SCE — Catalina Island.

9.2.1. Utility Communications

Alpine states that it sent a letter on January 12, 2023, notifying customers of the price volatility and subsequent increase for the January and February billing cycles.[509] The letter alerts customers of an "unprecedented cold snap across the Nation in late December," and tells customers they should "expect that a typical January bill will likely be more than double the typical January bill from last year."[510] The letter also informs customers of ways to help with monthly Alpine gas bills and provides Alpine's phone number and email.[511] Alpine also states that the information was listed on its website.[512]

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[507] SCE Comments on OII at 1, n.1.

[508] The weekly U.S. propane price (dollars per gallon) was $2.711 for the first week of December 2021 and $2.678 for the first week of December 2022. (U.S. EIA, *Petroleum & Other Liquids*, *available at* https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_NUS_DPG&f=W.)

[509] Alpine Opening Comments on September 11, 2023 ACR at 4; Alpine Comments on OII at 2.

[510] Alpine Opening Comments on September 11, 2023 ACR at Attachment A.

[511] *Ibid*.

[512] *Id*. at 4.

Alpine states that it learned that customers would have preferred earlier notification.[513] Alpine also asserts that it will continue to use newsletter, website, and billing statement communications to notify customers of a gas price spike and "will endeavor to address the upcoming winter pricing in its December bi-annual customer letter with a copy posted to our website."[514]

West Coast Gas did not have any communication protocols in place during the winter 2022-2023 and responded to each customer individually by phone or email.[515] Subsequently, West Coast Gas learned that customers wanted to know the therm rates before receiving their bills.[516] West Coast Gas states that it responded by adding the therm rate to its website and will provide information to the website and tips for reducing gas usage with its winter billing statement.[517] If there are future gas price spikes, West Coast Gas states that it will utilize email and billing statement communications.[518]

9.2.2. Party Comments

In response to the information West Coast Gas provided regarding its communications during winter 2022-2023, CforAT recommends that all gas utilities ensure that their websites and online tools comply with all applicable

[513] *Ibid*.

[514] *Ibid*.

[515] West Coast Gas Opening Comments on September 11, 2023 ACR at 4; West Coast Gas Comments on OII at 2 (characterizing its communications as "reactionary").

[516] West Coast Gas Opening Comments on September 11, 2023 ACR at 4.

[517] *Ibid*.; West Coast Gas Comments on OII at 2.

[518] West Coast Gas Opening Comments on September 11, 2023 ACR at 4.

web accessibility standards.[519] UCAN and TURN also highlight the importance of communicating prices to customers before they receive their bill.[520]

9.2.3. Discussion

Alpine and West Coast Gas have substantially fewer customers than the larger gas utilities.[521] Alpine is a small natural gas utility that serves approximately 1,700 residential customers and 27 retail customers through its distribution facilities.[522] West Coast Gas serves approximately 1,380 residential and commercial customers.[523] The Commission has always been cognizant of the size, resource limitations, and other unique attributes of California's small utilities, including customer demographics.[524] However, we also recognize that all California gas customers should receive timely and adequate notice of gas price spikes, so that they can adjust their usage to the extent feasible.

Before the gas price spike in winter 2022-2023, neither Alpine nor West Coast Gas had communication protocols in place. During the gas price spike, Alpine proactively notified customers via letter. However, Alpine's letter was sent in mid-January, which afforded customers only a limited time to respond.

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[519] CforAT Reply Comments on September 11, 2023 ACR at 6.

[520] TURN Reply Comments on September 11, 2023 ACR at 3; UCAN Reply Comments on September 11, 2023 ACR at 3.

[521] SoCalGas and PG&E provide service to about 5.9 million and 4.3 million customers, respectively, while SDG&E provides service to over 800,000 customers. (CPUC, Natural Gas and California, *available at* www.cpuc.ca.gov/industries-and-topics/natural-gas/natural-gas-and-california.

[522] Alpine Comments on OII at 1.

[523] A.24-05-002, West Coast Gas Company to Revise Its Gas Rates and Tariffs (May 3, 2024) at 2-3.

[524] *See, e.g.,* D.18-08-020 at 3-4 (noting Commission typically exempts smaller utilities from more complex regulatory requirements).

West Coast Gas's approach reacted to customer communications. Customers who did not take the initiative received no communication from West Coast Gas.

We find that Alpine and West Coast Gas's communications were not timely because they failed to provide customers with sufficient advance notice to adjust their usage before receiving their January and February winter bills.

Regarding the adequacy of communications, we recognize that Alpine's letter alerted customers to higher January gas prices and informed them of ways to help with their bills. While this information was relevant for January, it failed to warn customers that the unprecedented price spike could persist into February or March. For this reason, it was not transparent. West Coast Gas's reactive communications approach was neither relevant, transparent, nor accessible to customers because it failed to ensure that all its customers had the necessary information to respond to the gas price spike. For these reasons, we find that the communications of Alpine and West Coast Gas were inadequate. Below, we direct Alpine and West Coast Gas to improve their communications.

9.3. Customer Communications Improvements in the Event of Future Gas Price Spikes

Here, we consider whether utilities should enhance the adequacy of customer communications in the event of future spikes in gas prices. Utilities provided updates on improvements they have made since the winter of 2022-2023 and recommendations for further improvements. Parties also provided recommendations that inform this section's findings and conclusions.

9.3.1. Utility Communications After 2022-2023 and Recommended Improvements

Following the 2022-2023 gas price spike, PG&E proactively approached CBOs to share winter-savings opportunities and tips with their members, enhanced the PG&E website search functionality to enable customers to find

information more easily, and augmented its staff to improve customer experience.[525] In the event of another gas price spike, PG&E states that it may be able to implement a program it recently established to engage hundreds of employees to distribute information through their social media accounts.[526] PG&E also states that it will continue to route all communications through Currents to ensure consistent, up-to-date messaging and to send TCPA-compliant texts to increase customers' awareness and access to resources.[527] Finally, PG&E supports the Commission's requirement that gas utilities provide ongoing outreach during the winter season regarding high gas bills and ways to conserve and manage them, to the extent gas utilities retain the flexibility to communicate through channels of their choosing.[528]

SDG&E states that its communication methods during the winter of 2022-2023 were successful and warrant continued use, including its Energy Solutions Partner Network, which comprises more than 200 CBOs.[529] However, SDG&E states that it is exploring ways to increase messaging reach by expanding tactics, including digital bus shelter ads, streaming audio ads, and potentially paid influencer content.[530] SDG&E also has an Accounts Executive team that will continue to work directly with assigned customers to educate them on gas prices and their impacts on their businesses.[531] Finally, SDG&E modified its

[525] PG&E Opening Comments on September 11, 2023 ACR at 28.

[526] *Ibid*.

[527] *Id*. at 25, 28.

[528] PG&E Opening Comments on May 13, 2024 ACR at 3-4.

[529] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 21-22.

[530] *Id*. at 18; SoCalGas and SDG&E Comments on OII at 57.

[531] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 18.

communications to allow customers to enroll in and receive text messages about a gas price spike, provided they consent to a separate express disclosure.[532]

Generally, SDG&E and SoCalGas recommend that the Commission allow the utilities flexibility to use the communication tools that best fit their customers' needs.[533] According to SDG&E and SoCalGas, Commission mandates may unnecessarily increase costs for ratepayers and require additional budget requests.[534]

SoCalGas conducted a qualitative research study in April 2023 that identified key findings and lessons learned regarding customer communications during the gas price spike.[535] Based on these findings, SoCalGas will continue to start winter preparedness communications in September and provide email, on-bill, social media, and digital communications earlier and more frequently than in 2022.[536] In November 2023, SoCalGas introduced a "Natural Gas Price Notice," which enables customers to opt in to text notifications regarding potential natural gas price increases that may affect their winter bills from November through March.[537] Specifically, customers who opt in will receive an alert if the monthly natural gas price reaches a level that could result in a 20 percent or greater increase in the average customer's bill for that month based on the last three winter seasons' monthly commodity prices.[538] Finally, SoCalGas

[532] *Id*. at 20.

[533] SoCalGas and SDG&E Opening Comments on May 13, 2024 ACR at 3.

[534] *Id*. at 8-9.

[535] SoCalGas and SDG&E Comments on September 11, 2023 ACR at 17.

[536] *Id*. at 17-18.

[537] *Id*. at 18; SoCalGas and SDG&E Comments on OII at 51; SDG&E and SoCalGas Opening Comments on May 13, 2024 ACR at 3.

[538] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 19.

provides the following additional recommendations for future customer communication improvements:

- Expanding customer feedback and qualitative research to include additional participants and customer segments to gain insights on messaging, channels, and other tools.
- Enhancing presentation and organization of digital communications (*e.g.*, socalgas.com, educational videos, and social media) to provide helpful information to customers across various customer segments.
- Dedicated promotional communications regarding SoCalGas's Bill Tracker Alert to encourage early adoption, including use of direct communication channels, social media, and leveraging cross-promotional communications where applicable.[539]

Generally, SoCalGas recommends the Commission allow utilities flexibility to use communication tools that best fit their customers' needs as opposed to a specific requirement.[540]

According to Southwest Gas, it improved its communications for the winter of 2023-2024 by creating a centralized website page to inform customers about factors that may affect their bills, how to read them, and its various assistance programs.[541] This improvement includes educational videos that provide additional information on the components of their monthly bill.[542] Southwest Gas asserts that it already provides enhanced messaging when there are rapid and/or prolonged increases in natural gas commodity costs, natural

[539] SoCalGas and SDG&E Comments on OII at 51.

[540] SDG&E and SoCalGas Opening Comments on May 13, 2024 ACR at 3.

[541] Southwest Gas Comments on OII at 8-9; Southwest Gas Opening Comments on September 11, 2023 ACR at 11.

[542] Southwest Gas Opening Comments on September 11, 2023 ACR at 11.

gas supply shortages, and extreme cold weather/other non-seasonal weather.[543] Similarly, Southwest Gas states that it already provides customers with notice of payment plan options.[544]

Small gas utilities are also improving their communications. West Coast Gas added the therm rate to its website and will include website information and tips to reduce gas usage with their winter billing statement.[545] West Coast Gas recommends that customers visit their website to stay up to date on rates.[546] Alpine plans to address upcoming winter pricing in its December bi-annual customer letter, with a copy posted to its website.[547] Alpine also states that it will continue to utilize newsletter, website, and billing statement communications to notify customers of a gas price spike.[548]

9.3.2. Other Party Recommended Improvements

Other parties recommend improvements relevant to the timing, content, and methods of utility communications.

Regarding timing, parties suggest that the Commission require gas utilities to notify customers if gas commodity costs or bills reach a certain threshold.[549] UCAN asserts that "[c]ontinued, updated and transparent communications can

[543] Southwest Gas Opening Comments on May 13, 2024 ACR at 1.

[544] *Id*. at 3.

[545] West Coast Gas Opening Comments on September 11, 2023 ACR at 4; West Coast Gas Comments on OII at 2.

[546] West Coast Gas Opening Comments on September 11, 2023 ACR at 5.

[547] Alpine Opening Comments on September 11, 2023 ACR at 4.

[548] *Ibid*.

[549] CforAT Opening Comments on May 13, 2024 ACR at 3; EDF Opening Comments on May 13, 2024 ACR at 1-2; Sierra Club Comments on OII at 11; SBUA Opening Comments on May 13, 2024 ACR at 1-2; TURN Opening Comments on May 13, 2024 ACR at 1; UCAN Opening Comments on May 13, 2024 ACR at 1-2.

only serve ratepayers better as they will be better warned and prepared for future bill shocks."[550] Sierra Club recommends that the Commission require gas utilities to disclose to customers anticipated gas hikes as soon as there are indications of price spikes in wholesale markets.[551] Finally, TURN states that "customers appreciate ample preparation time for cost increases and value transparent communications with relevant information."[552]

Regarding content, the parties recommend that gas utilities inform customers of the risks and benefits of different energy sources, alternative gas services, and payment plans. For example, EDF suggests that gas utilities communicate with customers about opportunities for "deeper energy efficiency measures and fuel switching."[553] Sierra Club recommends that gas utilities disclose gas commodity prices' volatility and inform customers about the benefits of electric appliances, federal and the Commission's TECH partner's electrification efforts, and potential gas rate increases should demand decrease faster than utilities' revenue requirement.[554] Sierra Club also recommends that gas communications make specific statements about the health and economic

[550] UCAN Comments on OII at 5; UCAN Reply Comments on September 11, 2023 ACR at 3.

[551] Sierra Club Comments on OII at 11.

[552] TURN Reply Comments on September 11, 2023 ACR at 3.

[553] EDF Comments on OII at 7-8; EDF Opening Comments on May 13, 2024 ACR at 2.

[554] Sierra Club Comments on OII at 11; Sierra Club Reply Comments on September 11, 2023 ACR at 15-16; Sierra Club Reply Comments on May 13, 2024 ACR at 3-4. TECH Clean California is a program funded by California ratepayers and taxpayers and administered and implemented by Energy Solutions through a contract with SCE on behalf of various California utilities regulated by the Commission. (TECH Clean California, *available at* https://techcleanca.com/.)

impacts of natural gas use, the financial benefits of electrification, and electrification rebates.[555]

AReM recommends that the Commission inform customers of their option to receive service through CTAs, current pricing options, and how to enroll with a CTA.[556] However, CforAT asserts that AReM's recommendation would need further evaluation of its downstream impacts.[557] CforAT states that it is unclear whether this proposal "would be an appropriate use of Commission resources."[558]

CforAT, SBUA, TURN, and UCAN recommend improvements to communications regarding payment plans. CforAT states that communications should inform customers of existing payment options and assistance programs, such as level payment plans, extended payment plan options, AMPs, CARE, and FERA.[559] SBUA recommends that the Commission establish guidelines for promoting levelized payment plans during high-price events, including minimum requirements for outreach frequency, content, and communication channels.[560] TURN recommends that utilities assess customer service representatives' performance across phone, email, and text interactions to ensure

[555] Sierra Club Reply Comments on September 11, 2023 ACR at 15.

[556] AReM Comments on OII at 6; AReM Opening Comments on September 11, 2023 ACR at 4-6.

[557] CforAT Reply Comments on September 11, 2023 ACR at 6.

[558] *Ibid*.

[559] CforAT Comments on OII at 5.

[560] SBUA Opening Comments on May 13, 2024 ACR at 2-3.

all customers are aware of available payment options.[561] UCAN recommends increased customer communications regarding payment plan options.[562]

Regarding communication methods, CforAT and TURN recommend that utilities make communications available across multiple channels in languages and formats that promote accessibility, such as large-print, Braille, audio, electronic, and non-digital formats.[563] SBUA, TURN, and UCAN also support a multichannel approach, including text messages, emails, standard mail, bill inserts, web forum discussions, social media platforms, calls, and voicemails.[564]

However, the parties differ on whether the Commission should prescribe specific communication methods. UCAN recommends giving gas utilities the flexibility to use the communication channel that best fits customers' needs.[565] In contrast, TURN recommends that the gas utilities always send standard mail and at least one additional method, such as phone or text messaging.[566] To support its position, TURN asserts that standardizing content and communication methods can benefit customers and the Commission by increasing transparency and ensuring all residential and small commercial customers are reached.[567]

[561] TURN Opening Comments on May 13, 2024 ACR at 6.

[562] UCAN Opening Comments on May 13, 2024 ACR at 4.

[563] CforAT Opening Comments on May 13, 2024 ACR at 4; TURN Opening Comments on May 13, 2024 ACR at 5.

[564] SBUA Opening Comments on May 13, 2024 ACR at 2-3; TURN Opening Comments on May 13, 2024 ACR at 4; UCAN Opening Comments on May 13, 2024 ACR at 3.

[565] UCAN Opening Comments on May 13, 2024 ACR at 4.

[566] TURN Opening Comments on May 13, 2024 ACR at 5.

[567] TURN Opening Comments on May 13, 2024 ACR at 5.

SBUA agrees with TURN's point that some degree of standardization would help ensure all customers receive adequate information.[568]

Outside of recommendations on timing, content, and communication methods, CforAT and UCAN emphasize the importance of connecting with customers through CBO partnerships.[569] CforAT also recommends that communications include information about each utility's charitable foundation.[570] SBUA recommends that the Commission require utilities to collect data and target communications by customer class, including small commercial customers.[571] SBUA also recommends that the Commission determine the most effective communication channels and which content is important to customers, as well as require utilities to incorporate findings from their own data into future communication efforts.[572]

9.3.3. Discussion

We will evaluate improvements to the timing of gas utilities' customer communications should a gas price spike recur in Section 12.1 below. Here, we focus our discussion on whether gas utilities should improve the content and method of their customer communications in the event of future similar gas price spikes.

Regarding the content of communications, we agree with the parties that increased communication on payment plan options is beneficial during gas price

[568] SBUA Reply Comments on May 13, 2024 ACR at 3.

[569] CforAT Opening Comments on May 13, 2024 ACR at 4-5; UCAN Opening Comments on May 13, 2024 ACR at 3.

[570] CforAT Comments on OII at 5.

[571] SBUA Comments on OII at 5.

[572] *Ibid*.

spikes. Indeed, the Commission previously expressed its expectation that utilities take "aggressive steps" to inform customers of level payment plan options before peak winter months.[573] In addition, the Commission's CHANGES program provides consumer education, compliance assistance, and outreach to limited-English-proficient consumers, including information on assistance programs and level pay plans.[574]

Therefore, in the event of a future gas price spike, we direct all gas utilities to, at a minimum, notify customers of the price spike and inform them of payment plan options and the Commission's CHANGES program. While the large utilities — PG&E, SoCalGas, SDG&E, and Southwest Gas — make this information available to their customers, Alpine and West Coast Gas do not. Therefore, we order all gas utilities, including Alpine and West Coast Gas, to communicate payment plan options to their customers in the event of a gas price spike.

Additionally, we direct all gas utilities to communicate payment plan options to customers in a transparent manner. As the Commission previously recognized, there "is a danger, with levelized plans, that consumers will not be prepared for the higher-than-usual bills that will result during the warmer months."[575] To facilitate customer preparation, it is reasonable to require gas utilities that offer level payment plans to disclose that the utility may periodically adjust customers' bills if gas commodity prices rise or fall.

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[573] D.05-10-044 at 26.

[574] CPUC, TEAM and CHANGES Programs, *available at* https://www.cpuc.ca.gov/about-cpuc/divisions/news-and-public-information-office/consumer-affairs-branch/team-and-changes-programs.

[575] D.05-10-044 at 26.

We also encourage gas utilities to communicate electrification information to customers during a gas price spike if the information is targeted in terms of eligibility, accurate, and relevant to actions that customers can take during or near in time to a price spike. For example, utilities may provide customers with a link to web pages with information on electrification or energy efficiency subsidies, such as The Switch Is On at http://www.switchison.org/ca or Energy Upgrade California's website at https://energyupgradeca.org.

However, we will not require utilities to communicate specific electrification information to customers. Such information is not immediately relevant to customers who need to respond to a sudden, unexpected increase in their gas bills. During gas price spikes, utility communications should focus on actions customers can take to keep their bills affordable in the short term, such as reducing usage and exploring payment plan options. Any affordability benefits associated with electrification would not be immediately available to customers.

We also decline to adopt AReM's recommendation to expand required communications regarding CTAs for the reasons described in Section 6.10.

Regarding communication methods, we agree with the parties that a multichannel approach is beneficial. We therefore provide all gas utilities with the flexibility to use the communication tools that best meet their customers' needs. However, in the event of a gas price spike, all gas utilities must, at a minimum, communicate the estimated rate increase and payment plan options to their customers on their websites, in bill inserts, and through email and text to customers who have consented to electronic and text communications. While the large utilities demonstrated they met this minimum requirement during the 2022-2023 gas price spike, Alpine and West Coast Gas did not.

Finally, regarding data collection, we commend SoCalGas for its April 2023 analysis. All gas utilities should ensure their communication tools best meet customer needs.

10. Gas Price Spike Indicators and Responses

On September 11, 2023, the assigned Commissioner issued a ruling directing SoCalGas, SDG&E, PG&E, Southwest Gas, West Coast Gas, and Alpine to disclose whether there were "early indicators that the gas utilities observed in the months leading up to the gas price spikes that could have signaled a potential problem in winter 2022-2023."[576] The purpose of this ruling was to determine whether the gas utilities could have proactively mitigated ratepayer harm before prices spiked to unprecedented levels. Any other parties with relevant information were also authorized to respond.

10.1. Gas Price Monitoring Practices

The Commission's Energy Division and California's gas utilities monitor gas prices. In response to the assigned Commissioner's ruling, the gas utilities disclosed the information they use to gain insight into gas prices and market volatility for upcoming winters. The information was similar across the gas utilities.

PG&E stated it tracks gas prices across western North America and Henry Hub (forward, bidweek, and daily (cash)); gas supply fundamentals (production, weather, pipeline and storage outages, and gas storage inventory levels); and gas demand fundamentals (weather).[577] SoCalGas stated it gas price information, including daily cash settlements and monthly indices at various trading hubs, as well as market fundamentals such as weather forecasts, national and regional

[576] September 11, 2023 ACR at 3.

[577] PG&E Opening Comments on September 11, 2023 ACR at 14.

supply/demand balances, factors (including storage), pipeline flow data, public capacity information, and market research.[578] Southwest Gas tracks current and forward-market gas prices, oil and gas rig counts, current and forecast gas production, national and regional storage levels, weather forecasts, forecast demand and exports, and pipeline and storage outages and maintenance.[579] Both Alpine and West Coast Gas monitor gas usage and weather conditions daily, as well as historical usage, weather forecasts, bidweek prices, PG&E's Inside Trac online information service, and changes in the customer mix before the start of the operating month.[580]

10.2. Early Indicators of a Potential Problem

White Paper: Part I states that several events impacted gas markets before winter 2022-2023. For example, Russia's invasion of Ukraine in February 2022 disrupted global natural gas markets, leading to increased exports of U.S. LNG.[581] According to White Paper: Part I, the geopolitical situation put pressure on U.S. gas markets and reduced the financial incentive to ramp up storage injections during the spring and summer.[582] The El Paso Line 2000 interstate pipeline outage, which began on August 15, 2021, also caused supply disruptions that particularly affected SoCalGas customers.

Similar to White Paper: Part I, SoCalGas and SDG&E state they observed general scarcity and elevated prices in the national and global natural gas

[578] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 7-8.

[579] Southwest Gas Opening Comments on September 11, 2023 ACR at 7.

[580] Alpine Comments on September 11, 2023 ACR at 2-3; West Coast Gas Comments on September 11, 2023 ACR at 2-3.

[581] White Paper: Part I at 27.

[582] *Ibid*.

markets before winter 2022-2023.[583] These indicators included: (1) lower than expected national storage levels; (2) higher than expected power sector consumption; and (3) tight supply/demand balance for the global LNG markets.[584] SoCalGas also asserts that none of the indicators predicted Western prices would rise to the unprecedented levels experienced.[585]

Despite these early indicators of potentially higher gas prices during winter 2022-2023, PG&E, Southwest Gas, Alpine, and West Coast Gas state that there were no early indicators that signaled a potential price spike "of the magnitude and duration of those observed that winter."[586] TURN agrees that there were not "sufficient early indicators that signaled a potential gas shortage in winter 2022-2023."[587]

PG&E explains that "price spikes are mainly driven by variable temperatures and precipitation levels, unforeseen infrastructure outages impacting supply capacity, and flowing supply interruptions."[588] According to PG&E and Southwest Gas, the natural gas market did not anticipate the prolonged, below-normal temperatures.[589] PG&E also states that the exact impact of less hydroelectric generation due to drought conditions on gas demand

[583] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 2.

[584] *Ibid*.

[585] *Ibid*.

[586] PG&E Comments on September 11, 2023 ACR at 3; Southwest Gas Comments on September 11, 2023 ACR at 2; Alpine Comments on September 11, 2023 ACR at 1; West Coast Gas Comments on September 11, 2023 ACR at 1.

[587] TURN Comments on September 11, 2023 ACR at 1.

[588] PG&E Opening Comments on September 11, 2023 ACR at 11.

[589] *Id*. at 3; Southwest Gas Opening Comments on September 11, 2023 ACR at 2.

is only known when it occurs or later.[590] Finally, White Paper: Part I and PG&E highlight that several force majeure events reduced capacity on El Paso's North Mainline in December and January, which primarily limited gas deliveries to SoCalGas.[591]

10.3. Discussion

In Section 3 above, we find that below-normal temperatures, pipeline outages, reduced natural gas imports into California, low storage inventories, and events occurring before and during bidweek all contributed to the gas price spike during the winter of 2022-2023. While some of these contributors were unexpected, such as the prolonged, below-normal temperatures, the Commission's Energy Division and gas utilities foresaw a potential problem. White Paper: Part I highlights that summer 2022 forward prices for winter 2022-2023 were higher than $12/MMBtu.[592] Additionally, as SoCalGas and SDG&E state, the deficit in storage levels in the Pacific Region was apparent at the start of winter 2022.[593]

Thus, summer prices, known pipeline constraints, and storage levels were indicators of a potential problem. As discussed in Sections 9.1-9.2 above, the utilities did not explicitly communicate these potential problems to customers. However, the large utilities PG&E, SDG&E, SoCalGas, and Southwest Gas informed their customers of generally elevated winter gas prices in their seasonal communications campaigns.

[590] PG&E Opening Comments on September 11, 2023 ACR at 4.

[591] White Paper: Part I at 4-5; PG&E Opening Comments on September 11, 2023 ACR at 5.

[592] White Paper: Part I at 28.

[593] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 2.

We find that it was reasonable for large utilities to keep their customer communications focused primarily on elevated winter gas prices, rather than informing customers about the potential causes or contributors to these prices. This decision does not require utilities to communicate indicators of potential problems to customers.

11. Lessons Learned From the Gas Price Spikes

This section addresses the Scoping Memo issue: What lessons were learned from the gas price spike?

11.1. Gas Utility and Party Comments

PG&E states that its main lesson learned is that greater storage capacity may help mitigate the risk of impacts on bundled core customer bills from winter gas price spikes.[594] As a result, PG&E requested and was granted an up to 50 percent increase in its gas storage inventory capacity limit by changing from a fixed to a formula-based limit that can float with changes in customer demand.[595] In addition to the need for greater storage capacity, PG&E highlights lessons learned about the importance of winter hedging and the ability to apply the gas Climate Credit to customers' bills during the winter months when energy bills are typically highest.[596]

SoCalGas and SDG&E highlight a few lessons learned. First, recognizing that California imports almost all of its gas supply, SoCalGas and SDG&E emphasize the importance of storage.[597] Second, SoCalGas states that the

[594] PG&E Opening Comments on September 11, 2023 ACR at 21.

[595] *Id*. at 21-22. In D.24-03-002, the Commission granted the request PG&E Core Gas Supply made in PG&E's 2023 Cost Allocation and Rate Design Application, R.21-09-018.

[596] *Id*. at 22.

[597] SoCalGas and SDG&E Opening Comments on September 11, 2023 ACR at 12-13.

magnitude and duration of the gas price spike materially changed the qualitative assumptions on which it relies to procure gas supplies for its core customers.[598] Third, given SoCalGas's exposure to the rapid spike in gas prices, SoCalGas states that it continues to re-evaluate its procurement and hedging strategies and maximize tools to mitigate observed and anticipated market volatility.[599]

To mitigate the risk of future natural gas price spikes, Southwest Gas states that it will continue to adhere to its current gas purchase and storage policies, including the Volatility Mitigation Program (VMP).[600] Through the VMP, Southwest Gas purchases a portion of its baseload gas supplies at a fixed price, with the price secured up to one year in advance of the gas supply period. According to Southwest Gas, this action "can reduce exposure to short-term market volatility."[601]

Alpine learned that while customers appreciate notice of significant changes in therm rates they would have preferred earlier notification.[602] Alpine states that it will endeavor to address the upcoming winter pricing in its December bi-annual customer letter, with a copy posted to its website.[603]

West Coast Gas states that it learned that customers want to know the therm rates before receiving their bill. In response to this lesson, West Coast Gas

[598] *Id*. at 13-14.

[599] *Id*. at 14.

[600] Southwest Gas Opening Comments on September 11, 2023 ACR at 8-9.

[601] *Id*. at 8.

[602] Alpine Opening Comments on September 11, 2023 ACR at 4.

[603] *Ibid*.

added the therm rate to its website and will provide information to reduce gas usage with winter billing statements.[604]

11.2. Discussion

We find that all California gas utilities have learned lessons about storage levels, procurement, hedging, and communications from the gas price spikes. We direct gas utilities to respond to these lessons learned as ordered throughout this decision.

Here, we direct PG&E Core Gas Supply and SoCalGas Gas Acquisition to incorporate the unique constraints experienced during the 2022-2023 gas price spike into their internal forecasts, which inform their procurement and hedging strategies. As SoCalGas admits, its qualitative assumptions about a potential price spike underestimated both the magnitude and duration of the price increase. Incorporating demand levels from winter 2022-2023, along with other lessons learned, may improve forecasts. Accordingly, we expect that PG&E Core Gas Supply and SoCalGas Gas Acquisition will use these lessons learned to exercise procurement and hedging strategies prudently.

If these forecasts indicate a potential problem of unusually elevated prices, PG&E and SoCalGas shall inform customers that bills may be higher than usual at the earliest known date but no later than October 15 of each year — before the peak winter months.

12. Proactive Lessons to Monitor and Identify Gas Price Spikes and Notify Customers

In Section 6.1 above, we define a gas price spike as a 150 percent increase in the monthly core procurement price relative to the 10-year average core procurement price for that month during the winter season (November-March).

[604] West Coast Gas Opening Comments on September 11, 2023 ACR at 4.

Using this definition, we consider actions that utilities should take to monitor and identify gas price spikes as early as practicable and provide early notice to customers.

12.1. Mandatory Customer Notifications

CforAT, SBUA, TURN, and UCAN recommend that utilities timely notify their customers in the event of a gas price spike.[605] For elevated communications, UCAN also recommends considering rapid, short-term increases in natural gas commodity costs; natural gas supply shortages in other US regions; and extreme cold weather/other non-seasonal weather events.[606] TURN supports this additional recommendation.[607]

PG&E opposes these recommendations because it is concerned about customer confusion with the bill forecast alerts it already offers.[608] In addition, PG&E argues that this duplicative notification will necessitate additional monetary and staffing resources to accomplish.[609] SoCalGas and SDG&E also express concern about burdening and confusing customers with excessive and unnecessary notifications.[610] SoCalGas also notes that in November 2023, it launched an opt-in text notification system regarding natural gas commodity price increases.[611] Southwest Gas states that it communicates with customers

[605] CforAT Opening Comments on May 13, 2024 ACR at 3; SBUA Opening Comments on May 13, 2024 ACR at 1-2; TURN Reply Comments on May 13, 2024 ACR at 1; UCAN Opening Comments on May 13, 2024 ACR at 1-2.

[606] UCAN Opening Comments on May 13, 2024 ACR at 2.

[607] TURN Reply Comments on May 13, 2024 ACR at 3.

[608] PG&E Reply Comments on May 13, 2024 ACR at 3.

[609] *Ibid*.

[610] SoCalGas and SDG&E Reply Comments on May 13, 2024 ACR at 5.

[611] SoCalGas and SDG&E Opening Comments on May 13, 2024 ACR at 3.

about circumstances that may affect their bills, including rapid or prolonged increases in gas prices, gas supply shortages, and extreme weather events.[612]

SCE recommends that the Commission not require electric-only utilities, or the electric business of gas/electric utilities, to notify electric customers of a gas price spike.[613] According to SCE, an increase in gas commodity costs does not automatically or immediately translate into higher customers' electricity bills.[614] Moreover, notifying electric customers of a potential gas price spike does not necessarily incentivize customers to shift their electric demand to nonpeak hours, and the timing of electric utilities putting the notification in a bill insert may not encourage customers to modify usage.[615]

We adopt SCE's recommendation not to require electric-only utilities to notify electric customers of a gas price spike event. While encouraging customers to shift their electricity demand during a gas price spike event could be beneficial, given the high correlation observed between gas and electric prices, the existence and magnitude of the benefit depend on various factors.

For gas customers, the benefit is less speculative. Gas customers notified of a gas price spike, as defined in this decision, can access information to reduce their demand and enroll in payment plans and assistance programs. The benefit of such narrowly tailored communication outweighs any potential customer confusion that may occur due to PG&E's bill forecast alert and SoCalGas's Natural Gas Price Notice. However, gas customers may be confused if they receive alerts every time there is a rapid, short-term increase in natural gas

[612] Southwest Gas Opening Comments on May 13, 2024 ACR at 1.

[613] SCE Opening Comments on May 13, 2024 ACR at 1.

[614] *Id*. at 2.

[615] *Id*. at 2.

commodity costs, natural gas supply shortages in other US regions, or extreme cold weather/other non-seasonal weather, as suggested by UCAN.

For these reasons, we direct gas utilities to provide the following communications to customers in the event of a gas price spike, as defined in this decision:

1. Within 24 hours, each gas utility shall, at a minimum, post an alert on their website and send an email and text to customers who have consented to electronic and text communications, notifying them of a gas price spike.
2. Within 30 days gas utilities shall, at a minimum, notify customers of a gas price spike event by bill insert.

As discussed in Section 9.3.3, these communications must alert customers to the gas price event with: (1) a reasonable estimate of the bill increase; and (2) transparent information about payment plan options and the Commission's CHANGES program. We also encourage gas utilities to communicate electrification information to customers during a gas price spike if the information is targeted in terms of eligibility, accurate, and relevant to actions that customers can take during or near in time to a price spike. Finally, as directed in Section 6.8, gas utilities shall post on their websites information about resources gathered from local governments and health departments within their service territories that can provide relief to vulnerable Californians during a gas price spike.

Gas utilities shall not interpret these minimum requirements in a manner that would limit the need to provide reasonably timely and adequate communication to their customers. We expect gas utilities to prudently keep customers informed of anticipated price spikes through multiple channels, ensuring they can access the information.

12.2. Granular Information on Pacific Gas and Electric Company Pipe Ranger and Southern California Gas Company Envoy

PG&E and SoCalGas provide gas transmission and storage information available on their respective Pipe Ranger and Envoy webpages. In this proceeding, the assigned Commissioner asked the parties whether the Commission should require PG&E and SoCalGas to provide more granular information on Pipe Ranger and Envoy, including inventory allocated to base gas, working gas, park and loan balances, *etc.*

PG&E states that it is willing to include its base gas volume on Pipe Ranger.[616] However, SoCalGas states that including the base gas volume on Envoy is unnecessary because it does not routinely change or impact the working gas available to meet customer demand.[617] PG&E and SoCalGas agree that mandating more granular information, such as park and loan balances, may allow market participants to discover proprietary information about real-time core inventories and customer balances, place PG&E's Core Gas Supply at a competitive disadvantage, and disrupt market dynamics.[618]

Other parties commented on whether PG&E's Pipe Ranger website and SoCalGas's Envoy website should contain more granular information. SBUA, Sierra Club, and UCAN support the proposal.[619] While CforAT supports providing customers and the public with more information rather than less, CforAT notes that the average residential customer is unlikely to consult Pipe

[616] PG&E Opening Comments on May 13, 2024 ACR at 7.

[617] SoCalGas and SDG&E Opening Comments on May 13, 2024 ACR at 9.

[618] PG&E Opening Comments on May 13, 2024 ACR at 7-8; SoCalGas and SDG&E Opening Comments on May 13, 2024 ACR at 11.

[619] SBUA Opening Comments on May 13, 2024 ACR at 3; Sierra Club Opening Comments on May 13, 2024 ACR at 5; UCAN Opening Comments on May 13, 2024 ACR at 5.

Ranger and Envoy.[620] CVGS also does not see additional granularity on Pipe Ranger and Envoy as a mitigation for higher prices.[621]

We agree with CforAT that the average residential customer may not find this information helpful. However, we also agree with CforAT's and UCAN's points that more information, rather than less, is generally beneficial during a price spike event. For example, PG&E's reclassification of 51 Bcf of working gas to base gas on June 11, 2021, created uncertainty in the gas market and affected the data EIA uses to calculate working gas levels.[622] If PG&E had posted its base gas volume on its Pipe Ranger site, the information may have mitigated uncertainty and confusion.

In addition, PG&E expressed its willingness to include its base gas volume on the current Pipe Ranger Storage Activity page. For these reasons, we conclude that it is reasonable to require both PG&E and SoCalGas to include the information.

12.3. Independent Storage Provider Reporting

Several parties suggest adding additional ISP reporting requirements. EDF and SBUA recommend that ISPs be required to report daily gas inventory levels publicly.[623] EDF supports requiring ISPs to report daily inventory levels, using non-ratepayer funds, on a dedicated website with consolidated and easily accessible data.[624] According to SBUA, this information helps stakeholders gain

[620] CforAT Opening Comments on May 13, 2024 ACR at 6.

[621] CVGS Opening Comments on May 13, 2024 ACR at 2.

[622] White Paper: Part I at 29.

[623] EDF Opening Comments on May 13, 2024 ACR at 2; SBUA Opening Comments on May 13, 2024 ACR at 3.

[624] EDF Opening Comments on May 13, 2024 ACR at 2.

a greater understanding of gas supply issues and make informed decisions about energy usage and costs.[625] SBUA recommends that the Commission require that the information be posted on the respective ISPs' websites, PG&E's website, and the Commission's website.[626] CforAT and UCAN support providing the public with more information.[627] However, CforAT notes that few residential customers would understand whether or how to take action after receiving information from ISP reports of daily inventory levels.[628]

PG&E asserts that ISPs should match the transparency standards currently in place for PG&E with reporting daily working gas inventory levels, including the exception from disclosing specific customer or product inventories (*i.e.*, park and loan).[629]

CVGS, Gill Ranch, Wild Goose, and Lodi assert that the ISPs already disclose their storage levels. According to CVGS, ISPs currently report daily inventory levels to the EIA weekly, which is available on an aggregated level on the EIA website.[630] CVGS also states that ISPs report daily base, total, working injection and withdrawal amounts on a quarterly confidential basis to the CEC

[625] SBUA Opening Comments on May 13, 2024 ACR at 3.

[626] SBUA Opening Comments on May 13, 2024 ACR at 3.

[627] CforAT Opening Comments on May 13, 2024 ACR at 7; UCAN Opening Comments on May 13, 2024 ACR at 6.

[628] CforAT Opening Comments on May 13, 2024 ACR at 7.

[629] PG&E Opening Comments on May 13, 2024 ACR at 8.

[630] CVGS Opening Comments on May 13, 2024 ACR at 2.

on form CEC-1314.[631] Gill Ranch, Wild Goose, and Lodi note that all ISPs are already subject to the Commission's reporting requirements.[632]

In addition, CVGS, Gill Ranch, Wild Goose, and Lodi argue that public reporting of daily inventory levels would put ISPs at a competitive disadvantage.[633] Gill Ranch asserts that there are no rate-payer funds available to the ISPs to implement the reporting requirement.[634] Wild Goose and Lodi assert that disclosing ISP inventory levels will not increase storage capacity available to individual customers or the market.[635]

Currently, the storage levels ISPs report to the EIA, CEC, and Commission are either confidential or aggregated by region. We find that the public interest favors making some information regarding storage levels public. Requiring ISPs to publicly report storage levels will increase transparency among both the ISPs' core and noncore customers. Transparency may reduce confusion among ISPs' customers.

However, we share the ISPs' concern that reporting daily inventory levels may put the ISPs are a competitive disadvantage and negatively impact the market. Accordingly, we direct ISPs to report their *monthly* storage levels publicly by the 15th of each month. Allowing a lag between storage levels on the first of the month (which ISPs will report) and the 15th of the month (when the

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631 *Ibid*.

632 Gill Ranch Reply Comments on May 13, 2024 ACR at 9-10; Wild Goose and Lodi Opening Comments on May 13, 2024 ACR at 2-3.

633 CVGS Opening Comments on May 13, 2024 ACR at 2; Gill Ranch Reply Comments on May 13, 2024 ACR at 10; Wild Goose and Lodi Reply Comments on May 13, 2024 ACR at 3.

634 Gill Ranch Reply Comments on May 13, 2024 ACR at 10-11.

635 Wild Goose and Lodi Opening Comments on May 13, 2024 ACR at 3.

report becomes publicly available) will mitigate the risk of negative market impacts while increasing transparency.

ISPs shall make this available on their websites using the table format provided in Appendix A to this decision. ISPs shall provide links to prior months and years so the public can review storage levels over time.

13. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comments submitted in a proceeding be summarized in the final decision issued in that proceeding.

The majority of public comments on the Docket Card for this proceeding pertain to rate increases for PG&E and SDG&E customers, and high energy bills outside winter 2022-2023. Six comments are directly related to the winter 2022-2023 gas price spike. Three commenters ask the Commission to make gas bills more affordable, make the process of gas acquisition transparent and public, reject all rate increases, and punish the utilities. Another commenter recommends that the Commission adopt separate rate schedules for winter and summer and hold PG&E and other utilities accountable with penalties for failing to charge competitive rates. The fifth comment asks the Commission why it does not require utilities to hedge tail risk. The sixth comment asks a series of questions about SoCalGas oversight.

14. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

15. Comments on Proposed Decision

The proposed decision of Commissioner Karen Douglas in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on _____, and reply comments were filed on _____ by _____.

16. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Robyn Purchia is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

Causes and Contributors to the Gas Price Spike

1. Natural gas commodity prices reflect supply and demand variables.
2. Winter 2022-2023 was characterized by sustained below-normal temperatures, beginning in November and lasting into March.
3. Winter 2022-2023 saw high precipitation levels in California, which can increase gas heating demand as wet buildings lose heat more quickly than dry ones.
4. Prolonged below-normal temperatures and high precipitation levels during winter 2022-2023 contributed to increased gas prices by increasing demand in California.
5. On August 15, 2021, the El Paso Line 2000, which helps bring gas supplies from the Permian Basin to Southern California, ruptured and remained partially out of service until February 2023.

6. Between December 2022 and January 2023, maintenance was conducted on the El Paso North Mainline, which supplies SoCalGas's Northern System and provides an alternative path to the El Paso Line 2000.

7. On December 6 and 7, 2022, maintenance occurred on the Gas Transmission Northwest system, which brings supplies to the PG&E system.

8. Localized surges in demand or pipeline limitations can cause prices to diverge between regions.

9. Interstate pipeline constraints contributed to the gas price spike by reducing the supply of natural gas to and within California.

10. California receives approximately 30 percent of its imported gas supplies from Western Canada, 30 percent from the Rocky Mountain region, 30 percent from the San Juan Basin in New Mexico and Colorado, and 10 percent from the Permian Basin in Texas and New Mexico.

11. California's dependence on natural gas imports from other countries and states makes the state vulnerable to geopolitical and weather events beyond its borders.

12. Before the winter of 2022-2023, the Western United States, including California, experienced a prolonged drought, which consequently increased demand for gas-fired electric generation due to lower hydroelectric imports.

13. On February 24, 2022, Russia invaded Ukraine, leading to increased exports of the United States' LNG to Europe.

14. During winter 2022-2023, the Western United States and Canada experienced below-normal temperatures, which increased natural gas demand in regions outside California's borders.

15. From December 21 to December 26, 2022, Winter Storm Elliot caused record cold temperatures across the Northeast, Midwest, and Southwest, which

increased demand while interrupting natural gas production and shutting down power plants.

16. Reduced natural gas flows from the Permian Basin, Canada, and the Rocky Mountain region contributed to high gas prices during the winter of 2022-2023 by reducing California's flowing natural gas supply.

17. During winter 2022-2023, gas storage levels were lower than the five-year average.

18. Limitations of the total amount of gas allowed at SoCalGas's Aliso Canyon Storage Facility resulted in SoCalGas suspending its Unbundled Storage Program after the 2015 Aliso Canyon leak.

19. The suspension of the Unbundled Storage Program contributed to gas price volatility.

20. On July 11, 2021, PG&E reclassified 51 Bcf of working gas to base gas at its McDonald Island storage facility.

21. ISPs offer storage services to PG&E Core Gas Supply and noncore customers in Northern California.

22. During the 2022 summer injection season, forward prices did not incentivize noncore customers to inject gas into ISPs' storage facilities ahead of the peak winter season.

23. The winter 2022-2023 gas season began with significant unfilled storage capacity at the ISPs' storage facilities.

24. Reduced natural gas storage supplies contributed to high gas prices during winter 2022-2023.

25. PG&E Core Gas Supply and SoCalGas Gas Acquisition purchase most of their core natural gas through long-term contracts.

26. Long-term contracts are often indexed to the monthly index price, or "bidweek" price.

27. Bidweek is the first three of the last five gas trading days (not holidays or weekends) before the new month begins.

28. January 2023's high monthly index price reflected an expectation that gas prices would remain near the December 22, 2022, average California spot market price of $53.11 per MMBtu.

29. Events occurring just before and during bidweek contributed to high gas prices during January 2023.

Regulated Entities' Role in the Gas Price Spike

30. The following gas companies are authorized by the Commission to act as public utilities in California: Alpine; PG&E; SDG&E; SoCalGas; SCE-Catalina Island; Southwest Gas; and West Coast Gas.

31. The rates gas utilities charged to customers during winter 2022-2023 reflected the market price of natural gas, as well as the regulated price of gas transmission and distribution.

32. The record does not contain evidence that gas utilities violated ratemaking mechanisms approved by the Commission or acted unreasonably.

33. There is no evidence that California's gas utilities improperly caused or contributed to the surge in natural gas prices during the winter of 2022-2023.

34. PG&E and SoCalGas have independent procurement departments (PG&E Core Gas Supply and SoCalGas Gas Acquisition) that purchase and deliver gas to most residential, small-business, and small-industrial gas customers (core customers).

35. There are firewalls between the utilities' core gas procurement departments and the other functions of these utilities.

36. In most cases, the Commission prohibits PG&E Core Gas Supply and SoCalGas Gas Acquisition from procuring resources from the utilities' affiliates without prior Commission approval.

37. The Commission exempted blind transactions from the pre-approval requirement.

38. Blind transactions are carried out via exchanges or brokers, so that buyers and sellers do not know each other's identity until after the deal is signed.

39. PG&E did not report any affiliate transactions during winter 2022-2023.

40. SoCalGas reported several "blind transactions" with affiliates for quantities totaling less than half a percent of its sales volume at prices comparable to transactions conducted at similar times with non-affiliated counterparties.

41. There is no evidence that SoCalGas Gas Acquisition engaged in improper blind transactions with affiliates.

42. Gas utilities' procurement departments did not engage in prohibited affiliate transactions that caused or contributed to the gas price spike.

43. The Commission requires PG&E Core Gas Supply and SoCalGas Gas Acquisition to purchase firm gas pipeline transportation capacity contracts to reliably serve core customers.

44. PG&E Core Gas Supply and SoCalGas Gas Acquisition contracted for more than half of their core gas for winter 2022-2023 before October 25, 2022.

45. For core gas contracted after October 25, 2022, PG&E Core Gas Supply relied on spot-market purchases and purchased less gas at its citygate than SoCalGas Gas Acquisition in January 2023. In addition, PG&E Core Gas Supply's few fixed-price monthly purchases were below the later-published bidweek index prices.

46. For core gas contracted after October 25, 2022, SoCalGas Gas Acquisition relied on monthly contracts and purchased more gas at its citygate than PG&E Core Gas Supply. In addition, SoCalGas Gas Acquisition made many fixed-price purchases during the winter that were above bidweek index prices.

47. It was reasonable for SoCalGas Gas Acquisition to rely on monthly contracts.

48. When a market lacks liquidity, each deal has a greater impact on the monthly impact price.

49. Given the challenges inherent in forecasting the bidweek index price in a market lacking liquidity, SoCalGas Gas Acquisition did not act unreasonably by purchasing fixed-price purchases above the bidweek index price.

50. Both PG&E Core Gas Supply and SoCalGas Gas Acquisition purchased less than a quarter of their gas for winter 2022-2023 at their respective citygates.

51. SoCalGas Gas Acquisition's citygate purchases occurred in the context of pro rata reductions in El Paso pipeline capacity resulting from the Line 2000 and North Mainline outages.

52. SoCalGas Gas Acquisition's procurement of more gas at its citygate than PG&E Core Gas Supply was not unreasonable.

53. SoCalGas Gas Acquisition's procurement contracts during winter 2022-2023 were reasonable.

54. PG&E Core Gas Supply and SoCalGas Gas Acquisition procurement contracts did not improperly cause or contribute to the gas price spike.

55. The Commission requires PG&E Core Gas Supply and SoCalGas Gas Acquisition to fill gas storage to specified levels ahead of winter.

56. The gas utilities' core procurement departments met the Commission's storage requirements before the start of winter.

57. SoCalGas Gas Acquisition had no scheduled storage injections during late December 2022.

58. The Commission's requirement that utilities' core procurement departments maintain sufficient storage inventory to meet high-demand days and the Aliso Canyon Withdrawal Protocol, which was in effect during winter 2022-2023, limited SoCalGas Gas Acquisition's ability to use its withdrawal capacity.

59. SoCalGas Gas Acquisition did not improperly withhold withdrawal capability.

60. While a storage facility's maximum deliverability can remain constant over time, its deliverability, or the amount of gas that can be withdrawn from a storage facility daily, varies.

61. There is no evidence that SoCalGas underreported its gas withdrawal capacity, based on deliverability, on Envoy.

62. SoCalGas Gas Acquisition's storage injections and withdrawals during winter 2022-2023 were reasonable.

63. PG&E Core Gas Supply's and SoCalGas Gas Acquisition's storage injections and withdrawals did not cause or contribute to the gas price spike.

64. The Commission regulates four ISPs in Northern California: Wild Goose, Lodi, Gill Ranch, and CVGS.

65. The role of an ISP is to sell available storage capacity to market participants, such as PG&E Core Gas Supply, and noncore customers, including marketers and gas-fired plants.

66. There is no evidence that ISPs' contracts were unreasonable or that ISPs' actions impacted storage levels.

67. Noncore customers' access to ISPs in Northern California kept the market liquid and contributed to lower prices in PG&E's service territory than in SoCalGas's service territory.

68. Winter 2022-2023 price spikes were not a California-specific issue.

69. ISPs did not cause or contribute to the spike in gas prices during the winter of 2022-2023.

Actions to Avoid or Minimize the Likelihood of Similar Gas Price Spikes

70. One reason for the reduced natural gas storage supplies was the restrictions on SoCalGas's Aliso Canyon Storage Facility.

71. The Commission has acted after winter 2022-2023 to reduce the likelihood of future gas price spikes by increasing the maximum storage capacity at the Aliso Canyon Storage Facility.

72. Entities interested in developing a new gas storage facility in California must request authorization to construct and operate such a facility from the Commission by applying for a CPCN.

73. Currently, there are no pending CPCN applications for new storage facilities proposed in California.

74. Through R.24-09-012, the Commission will consider interim actions to facilitate the transition away from natural gas, adopt long-term gas transition planning, and implement the legislative requirements in SB 1221 to promote zero-emission alternatives to gas distribution line replacement projects.

75. The Commission adopted the CAM to encourage investment in new generation resources.

76. The Commission authorizes ISPs to charge customers market-based rates.

77. In D.19-09-025, the Commission authorized PG&E to rely on ISPs to provide firm storage services to meet the reliability standard for core customers, subject to a solicitation and evaluation process.

78. There is no evidence in the record that allocating more PG&E storage capacity to core customers would avoid or minimize the likelihood of a future gas price spike.

79. The Costa Azul project is currently anticipated to commence service in early 2026 for an approximate maximum daily capacity of 500 MMcfd.

80. Following the Costa Azul project's completion, competition for limited pipeline capacity may intensify due to higher LNG exports from Mexico.

Actions to Mitigate Ratepayer Harm if Gas Price Spikes Recur

81. Electrification savings depend on the customer's individual circumstances, including the potential need to purchase new appliances and undertake additional home renovations.

82. Gas customers' bills may rise over time for reasons unrelated to a spike in gas commodity prices.

83. During winter 2022-2023, there was an over 250 percent increase in monthly index prices at PG&E and SoCalGas citygates compared to the 10-year high.

84. The CPC covers the costs of purchasing and transporting gas supplies and is adjusted monthly.

85. The winter 2022-2023 gas prices placed an extreme burden on ratepayers.

86. A temporary cap on the CPC will likely lead to an imbalance in CPGAs and the need to recover an undercollection from ratepayers.

87. SoCalGas and SDG&E's recommendation to authorize gas utilities to calculate "the estimated winter rate" and true up the difference with actual

winter costs across subsequent months serves a similar purpose to the temporary cap on gas utilities' CPC.

88. The Commission requires gas utilities to have level payment plans.

89. Level payment plans are an opt-in payment plan through which the customer receives a monthly bill based on their average monthly usage and charges, and which is periodically adjusted to minimize the accumulation of variance.

90. The Commission's CHANGES program can help limited-English-proficient consumers enroll in a level payment plan.

91. Making level payment plans the default billing option would mitigate ratepayer exposure to market volatility and would mute any signal to customers to conserve during the average winter.

92. The record does not support full consideration of a disconnection moratorium and a ban on reporting customer delinquencies to credit agencies.

93. Utilities could seek ratepayer recovery for complying with a Commission order to coordinate and implement CRCs with varying services at a large scale.

94. Utilities are not equipped to provide equitable access to CRCs.

95. Local governments and health departments may have information and resources to assist Californians with their day-to-day needs during a gas price spike.

96. In R.24-09-012, the Commission is considering requiring gas utilities to propose rate options with and without a fixed charge in their next rate cases.

97. The Commission and utilities have programs to protect customers from arrears, such as CARE, FERA, and PG&E's REACH program.

98. In D.18-02-002, the Commission found that the legislative intent of SB 656 was to "provide information that allows a consumer to understand its core

transport service options, and that the information and tools are objective and neutral and do not favor the gas utilities or the CTAs."

99. On July 24, 2025, the Commission opened R.25-07-013 to consider ways to improve the effectiveness of the Climate Credit.

100. Physical and financial hedges serve as a form of insurance that limits both potential losses and potential gains from market movements.

101. While the Commission has authorized long-term hedging programs, imposed reporting requirements, and adjusted the core procurement incentive mechanisms to divide the costs and benefits of hedging between ratepayers and shareholders, the Commission generally allows the gas utilities' procurement divisions to hedge in the manner and amount they believe is prudent.

102. To monitor the procurement divisions' hedging activities, the Commission's Energy Division receives an annual, confidential winter hedging plan from SoCalGas Gas Acquisition and PG&E Core Gas Supply before November 1.

103. SoCalGas Gas Acquisition and PG&E Core Gas Supply update ratepayer representatives and the Energy Division on hedging at confidential biweekly (SoCalGas) or monthly (PG&E) reliability meetings.

104. Cal Advocates issues annual *Monitoring and Evaluation Reports*.

105. During winter 2022-2023, PG&E Core Gas Supply primarily relied on financial hedges rather than physical hedges, which ultimately translated to ratepayer savings.

106. During winter 2022-2023, SoCalGas Gas Acquisition primarily relied on physical hedges, which resulted in approximately $10.1 million in savings relative to the associated benchmark costs.

107. SoCalGas's GCIM and PG&E's CPIM have been in place since the 1990s and are designed to encourage gas utilities to procure gas at a lower cost than market-based benchmarks.

108. The GCIM and CPIM continue to advance the Commission's original goals of reducing regulatory burden, providing clear incentives, enabling innovation, and aligning ratepayer and shareholder interests.

109. Core procurement incentive mechanisms are not intended to and cannot prevent price spikes in the deregulated natural gas commodity market.

110. PG&E and SoCalGas shareholders consistently received awards from the CPIM and GCIM over the 10-year review periods.

111. From 2014 to 2024, Secondary Market Services revenues and citygate net purchases were the primary drivers of GCIM savings.

112. The GCIM incorporates only 25 percent of the benchmark and actual costs associated with winter physical hedges.

113. PG&E does not have a set deadline for submitting its CPIM reports to the Commission, unlike SoCalGas.

114. From 2012 to 2022, citygate net purchases were the primary driver of CPIM savings.

115. The CPIM benchmark commodity cost is based on an assumed sequence of purchases at various locations that PG&E Core Gas Supply is not required to follow rather than on actual purchase volumes.

116. During winter 2022-2023, PG&E Core Gas Supply's financial hedges appear to have resulted in significant gains.

117. Greater transparency, alignment, and understanding of how the GCIM and CPIM operate could mitigate harm to ratepayers should gas price spikes recur.

Efforts to Further Inform Commission Decision Making

118. Rockpoint Gas Storage owns the two largest ISPs, Wild Goose and Lodi, which account for 77 percent of the total ISP inventory capacity.

119. The ISPs can determine, within a relatively narrow range, how much storage capacity PG&E's Core Gas Supply must procure.

120. The record does not enable a full understanding of ISP market dynamics.

Gas and Electric Market Interactions

121. Historically, and in 2022, gas resources have generally set the marginal price of electricity in the CAISO market.

122. There is typically a clear correlation between wholesale natural gas and wholesale electricity prices in the CAISO market: when natural gas prices rise, electricity prices rise, and vice versa.

123. Gas and electricity prices in winter 2022-2023 were more strongly correlated than in other periods, confirming that higher gas prices were the primary driver of higher electricity prices during the gas price spike.

124. During winter 2022-2023, net electricity imports into California were much lower, and gas-fired generation was a significantly higher portion of CAISO supply than in prior years.

125. Higher demand for gas from in-state gas-fired electric generators exacerbated pressure on the wholesale gas market and contributed to elevated wholesale electricity costs.

126. High electricity price events in the CAISO market do not immediately increase retail residential electric bills.

127. SCE and PG&E filed ERRA trigger applications on January 31, 2023, and July 28, 2023, respectively.

128. In D.23-04-012, the Commission approved SCE's application and permitted SCE to recover $454 million in above-forecast costs over 12 months from its bundled service customers.

129. In D.23-12-022, the Commission approved PG&E's application and permitted PG&E to recover $256 million over six months.

130. SDG&E did not increase its generation rates through an ERRA trigger application in 2023.

131. Basic supply and demand interactions affect energy consumers.

132. Gas market volatility can complicate risk management and hedging strategies for utilities.

Utility Communications

133. The communications strategies employed by the largest gas utilities (PG&E, SDG&E, SoCalGas, and Southwest Gas) differ from those used by the smaller gas utilities (Alpine and West Coast Gas).

134. All California gas customers should receive timely and adequate notice of gas price spikes, so that they can adjust their usage to the extent feasible.

135. Each winter, PG&E, SDG&E, SoCalGas, and Southwest Gas launch seasonal communication campaigns to help customers prepare for higher winter bills.

136. Although the TCPA restricts text messages that gas utilities can send to consumers, PG&E, SDG&E, and SoCalGas have opt-in text programs to alert customers to potentially high bills.

137. During the price spike, PG&E, SDG&E, SoCalGas, and Southwest Gas adjusted their seasonal communications protocols.

138. Utilities report that their winter 2022-2023 communications were effective.

139. Gas utilities' winter communications must inform customers of rising prices *before* customers receive their bills.

140. PG&E, SDG&E, SoCalGas, and Southwest Gas's communications, both before and during the gas price spike, were timely.

141. Factors beyond the utilities' control may make elements of gas commodity spikes unpredictable.

142. PG&E, SDG&E, SoCalGas, and Southwest Gas's communications were adequate because they were reasonably transparent and relevant.

143. The Commission has authorized three small utilities to provide gas service in California: Alpine, West Coast Gas, and SCE — Catalina Island.

144. SCE — Catalina Island owns and operates a propane gas distribution system, not a natural gas distribution system.

145. While all hydrocarbon fuels are subject to volatile pricing, propane did not experience a similar price spike during the winter of 2022-2023.

146. Alpine sent a letter on January 12, 2023, notifying customers of the price volatility, subsequent increase for the January and February billing cycles, and ways to help with monthly Alpine gas bills.

147. Alpine learned that customers would have preferred earlier notifications.

148. West Coast Gas did not have any communication protocols in place during the winter 2022-2023 and responded to each customer individually by phone or email.

149. West Coast Gas learned that customers wanted to know the therm rates before receiving their bills.

150. Alpine is a small natural gas utility that serves approximately 1,700 residential customers and 27 retail customers through its distribution facilities.

151. West Coast Gas serves approximately 1,380 residential and commercial customers.

152. Alpine and West Coast Gas's communications were not timely because they failed to provide customers with sufficient advance notice to adjust their usage before receiving their January and February winter bills.

153. The communications of Alpine and West Coast Gas were inadequate.

154. Information about electrification is not immediately relevant to customers who need to respond to a sudden, unexpected increase in their gas bills.

155. Increased communication on payment plan options is beneficial during gas price spikes.

156. Communications through multiple channels (*e.g.*, website, bill insert, email, and text) are beneficial.

Gas Price Spike Indicators and Responses

157. The Commission's Energy Division and California's gas utilities monitor gas prices.

158. Summer prices, known pipeline constraints, and storage levels were indicators of a potential problem.

Lessons Learned from the Gas Price Spike

159. All California gas utilities have learned lessons about storage levels, procurement, hedging, and communications from the 2022-2023 gas price spike.

160. Incorporating demand levels from winter 2022-2023, along with other lessons learned, may improve PG&E Core Gas Supply and SoCalGas Gas Acquisition's internal forecasts and, consequently, procurement and hedging strategies.

Proactive Lessons to Monitor and Identify Gas Price Spikes and Notify Customers

161. Gas customers who are timely notified of a gas price spike, as defined in this decision, can access information to reduce their demand during the gas price spike and enroll in payment plans and assistance programs.

162. Gas customers may be confused if they receive alerts every time there is a rapid, short-term increase in natural gas commodity costs, natural gas supply shortages in other US regions, or extreme cold weather/other non-seasonal weather.

163. For gas customers, the opportunity to adjust their behavior in response to a gas price spike outweighs the risk of confusion when communication is narrowly tailored.

164. PG&E and SoCalGas provide gas transmission and storage information on their respective Pipe Ranger and Envoy webpages.

165. If PG&E had posted its base gas volume on its Pipe Ranger site, the information may have mitigated uncertainty and confusion.

166. PG&E expressed willingness to include its base gas volume on the current Pipe Ranger Storage Activity page.

167. Information on ISPs' monthly storage levels will increase transparency, which may reduce customer confusion.

Conclusions of Law

1. It is reasonable to define a gas price spike as a 150 percent increase in the monthly core procurement price relative to the 10-year average core procurement price for that month during the winter season (November-March).

2. It is reasonable to rely on a 10-year average for a given month to define a gas price spike because using the price for that month in a single year as a

baseline could yield unintended results if gas commodity prices are abnormally low during a winter.

3. Given the extreme burden ratepayers face, it is reasonable to impose a temporary cap on PG&E, SoCalGas, SDG&E, and Southwest Gas's CPC only during winter gas price spike events, as defined in this decision.

4. It is reasonable to set the cap at no more than 150 percent above the 10-year average core procurement price for that month.

5. In the event of a gas price spike, it is reasonable to align the amortization period for any imbalance resulting from the temporary CPC cap across PG&E, SoCalGas, SDG&E, and Southwest Gas.

6. In the event of a gas price spike, it is reasonable to require PG&E, SoCalGas, SDG&E, and Southwest Gas to amortize any imbalance that occurs due to the temporary cap on their CPCs in their CPGAs monthly over nine months.

7. It is reasonable to require PG&E, SoCalGas, SDG&E, and Southwest Gas to file a Tier 2 advice letter proposing changes to their tariffs as necessary to implement the cap on the CPC and amortization period that shall occur in the event of a gas price spike.

8. It is reasonable to require gas utilities to notify the Commission in a Tier 1 advice letter within 24 hours of the price spike being identified.

9. It is reasonable to require gas utilities to make information on resources that can provide relief to vulnerable Californians available to their customers on their websites within 24 hours of identifying a gas price spike.

10. It is reasonable to adopt the following changes to the GCIM and CPIM to promote transparency, alignment, and understanding:

(a) By August 31, 2026, PG&E and SoCalGas shall submit Tier 1 advice letters updating their Preliminary Statements to thoroughly describe all aspects of their core procurement incentive mechanisms, including: (i) a list of the gas industry journals used to calculate benchmark costs; (ii) for the SoCalGas GCIM, a list of the types of transactions that are considered to be physical hedges and a description of how benchmark costs for physical hedges are addressed; (iii) for the SoCalGas GCIM, an indication that off-systems park and loan costs and revenues are a component of GCIM actual costs; (iv) for the PG&E CPIM benchmark costs, a description of (A) how the daily benchmark load amounts are determined; (B) how benchmark daily indices to the Citygate are developed; (C) how benchmark costs are developed; (D) the CPIM purchase sequence; and (v) for the PG&E CPIM actual costs, a description of (A) the types of costs included in the actual CPIM commodity costs, especially net purchases costs, volumetric transportation costs, Cochrane extraction revenues, merchandise processing fees, 100 percent of winter hedge loss/(gains), and miscellaneous costs; and (B) the types of costs that are included in the actual transportation cost component of the CPIM.

(b) By April 30 of each year, PG&E shall file an application to receive Commission approval of any shareholder award and submit its annual CPIM report to the Commission and Cal Advocates.

(c) Within four months of receiving PG&E and SoCalGas's full incentive mechanisms reports, require Cal Advocates to (i) issue its *Monitoring and Evaluation Report*; and (ii) in the *Monitoring and Evaluation Report* (A) identify gains and excess costs from physical gas hedges and how the physical hedges are incorporated in benchmark costs and actual costs; (B) identify border and Citygate purchase and sale information separately, rather than combined; and (C) identify benchmark costs and volumes by basin and monthly indices.

11. Given the need to collect or examine additional information to assess whether ISP market dynamics caused or contributed to the 2022-2023 gas price spike, it is reasonable for the Commission to:

(a) Review ISP's ownership of storage capacity, contract pricing, and market concentration; and

(b) Evaluate whether current ISP tariff structures protect ratepayers from excessive pricing in light of the updated review of storage markets.

12. It is reasonable to assess the timeliness of utilities' communications by considering whether customers had sufficient notice to adjust their behavior in response to the information.

13. It is reasonable to review the adequacy of utilities' communications by assessing whether customers had sufficient access to information about the gas price spike to make reasonable decisions in response.

14. It is reasonable to expect gas utilities to provide their customers with transparent, relevant, and accessible information so customers can prepare accordingly.

15. It is reasonable to focus on the timeliness and adequacy of Alpine and West Coast Gas's communications, and not SCE — Catalina Island.

16. During gas price spikes, it is reasonable for utility communications to focus on actions customers can take to keep their bills affordable in the short term, such as reducing usage and exploring payment plan options.

17. In the event of a future gas price spike, it is reasonable to require all gas utilities to, at a minimum, alert customers to the gas price event with: (1) a reasonable estimate of the bill increase; and (2) transparent information about payment plan options and the Commission's CHANGES program.

18. It is reasonable to require gas utilities that offer level payment plans to disclose that the utility may periodically adjust customers' bills if gas commodity prices rise or fall.

19. In the event of a future gas price spike, it is reasonable to require all gas utilities to, at a minimum, communicate the estimated rate increase and payment plan options to their customers on their websites, in bill inserts, and through email and text to customers who have consented to electronic and text communications.

20. It is reasonable to direct PG&E Core Gas Supply and SoCalGas Gas Acquisition to incorporate the unique constraints experienced during the 2022-2023 gas price spike into their internal procurement and hedging strategies.

21. If PG&E Core Gas Supply and SoCalGas Gas Acquisition's internal forecasts indicate a potential problem of unusually elevated prices, it is reasonable to require PG&E and SoCalGas to inform customers that bills may be higher than usual at the earliest known date but no later than October 15 of each year — before the peak winter months.

22. Within 24 hours of a gas price spike event, it is reasonable to require gas utilities to, at a minimum, alert customers on their websites, and send an email and text to customers who have consented to electronic and text communications.

23. Within 30 days of a gas price spike event, it is reasonable to require gas utilities to, at a minimum, notify customers by bill insert.

24. It is reasonable to require both PG&E and SoCalGas to include base gas volume on their Pipe Ranger Storage Activity and Envoy web pages.

25. By the 15th of each month, it is reasonable to require ISPs to report their monthly storage levels publicly on their websites using the table in Appendix A

to this decision. ISPs should also provide links to prior months and years so the public can view storage levels over time.

26. All Administrative Law Judge and assigned Commissioner rulings in this proceeding should be affirmed.

27. All motions not ruled on to date should be denied.

28. The Commission should close I.23-03-008.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company and Southern California Gas Company shall notify the Commission in a Tier 1 advice letter within 24 hours of identifying a gas price spike event, as defined in this decision.

2. In the event of a winter gas price spike, as defined in this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southwest Gas Corporation shall:

   (a) Impose a temporary cap on their Core Procurement Charge at no more than 150 percent above the 10-year average core procurement price for that month. The temporary cap shall not exceed three months without Commission approval of a Tier 3 advice letter; and

   (b) Amortize any imbalance in their Core Procure Gas Account monthly for a period of nine months.

3. By May 1, 2026, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southwest Gas Corporation shall file a Tier 2 advice letter that proposes changes to their tariffs necessary to implement the temporary cap on the Core Procurement Charge and amortization in the event of a gas price spike.

4. In the event of a gas price spike, as defined in this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas

Company, Southwest Gas Corporation, Alpine Natural Gas Operating Company No. 1, LLC, and West Coast Gas Company shall:

(a) Within 24 hours of identifying a gas price spike event, at a minimum, alert customers to the gas price spike event with (i) a reasonable estimate of the bill increase; and (ii) transparent information about payment plan options and the Commission's Community Help and Awareness of Natural Gas and Electric Services Program. The alert shall, at a minimum, be posted on each utility's website and sent via email and text to customers who have consented to such electronic and text communications;

(b) Within 30 days of identifying a gas price spike event, at a minimum, alert customers to the gas price spike event with (i) a reasonable estimate of the bill increase; and (ii) transparent information about payment plan options and the Commission's Community Help and Awareness of Natural Gas and Electric Services Program. The alert shall, at a minimum, be sent as a bill insert; and

(c) Within 24 hours of identifying a gas price spike event, make information on resources provided by local governments and health departments available to their customers on their websites.

5. If Pacific Gas and Electric Company (PG&E) Core Gas Supply and Southern California Gas Company (SoCalGas) Gas Acquisition identify a potential problem of unusually elevated prices through their internal forecasts, PG&E and SoCalGas shall inform customers that bills may be higher than usual at the earliest known date but no later than October 15 of each year — before the peak winter months.

6. Pacific Gas and Electric Company (PG&E) and Southern California Gas Company (SoCalGas) shall submit Tier 1 advice letters updating their Core Procurement Incentive Mechanism (CPIM) and Gas Cost Incentive Mechanism

(GCIM) Preliminary Statements by August 31, 2026 to thoroughly describe all aspects of their core procurement incentive mechanisms, including:

(a) A list of the gas industry journals used to calculate benchmark costs;

(b) For SoCalGas's GCIM, a list of the types of transactions that are considered to be physical hedges and a description of how benchmark costs for physical hedges are addressed;

(c) For SoCalGas's GCIM, an indication that off-systems park and loan costs and revenues are a component of GCIM actual costs.

(d) For PG&E's CPIM, benchmark costs, a description of (i) how the daily benchmark load amounts are determined; (ii) how benchmark daily indices to the Citygate are developed; (iii) how benchmark costs are developed; and (iv) the CPIM purchase sequence; and

(e) For PG&E's CPIM actual costs, a description of (i) the types of costs included in the actual CPIM commodity costs, especially net purchases costs, volumetric transportation costs, Cochrane extraction revenues, merchandise processing fees, 100 percent of winter hedge loss/(gains), and miscellaneous costs; and (ii) the types of costs that are included in the actual transportation cost component of the CPIM.

7. Pacific Gas and Electric Company and Southern California Gas Company shall submit an application to request Commission approval of any shareholder award under the Core Procurement Incentive Mechanism and the Gas Cost Incentive Mechanism.

8. By April 30 of each year, Pacific Gas and Electric Company shall submit an application to request Commission approval of any shareholder award under the Core Procurement Incentive Mechanism (CPIM) and the CPIM Report to the Commission.

9. Within four months of receiving the full incentive mechanisms report from Pacific Gas and Electric Company and Southern California Gas Company, the Public Advocates Office at the California Public Utilities Commission shall:

   (a) Issue its *Monitoring and Evaluation Report*.

   (b) In the *Monitoring and Evaluation Report* (i) identify gains and excess costs from physical gas hedges and how the physical hedges are incorporated in benchmark costs and actual costs; (ii) identify border and citygate purchase and sale information separately, rather than combined; and (iii) identify benchmark costs and volumes by basin and monthly indices.

10. By April 15, 2026, Pacific Gas and Electric Company and Southern California Gas Company shall update their Pipe Ranger Storage Activity and Envoy webpages, respectively, to include base gas volume.

11. By April 15, 2026, Central Valley Gas Storage, LLC (CVGS), Gill Ranch Storage, LLC (Gill Ranch), Lodi Gas Storage, L.L.C. (Lodi), and Wild Goose Storage, LLC (Wild Goose) shall report their monthly storage levels publicly on their websites. CVGS, Gill Ranch, Lodi, and Wild Goose shall update their monthly storage levels publicly on their websites by the 15th of each month. To report their monthly storage levels, CVGS, Gill Ranch, Lodi, and Wild Goose shall use the table in Appendix A to this decision. CVGS, Gill Ranch, Lodi, and Wild Goose shall provide links to archived months and years on their websites.

12. Investigation 23-03-008 is closed.

This order is effective today.

Dated _____, at Santa Maria, California.

APPENDIX A