BEFORE THE PUBLIC UTILITIES COMMISSION
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SIERRA CLUB COMMENTS ON THE PROPOSED 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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Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, Sierra Club submits these opening comments on the Proposed 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 ("PD"),[1] which was issued on January 23, 2026.

I. INTRODUCTION

Sierra Club appreciates the work of Commissioner Douglas, Judge Purchia, and Commission staff throughout this detailed investigation into the gas price spikes of the 2022-2023 winter season. Sierra Club supports several of the PD's determinations including:

- the IOUs must make administrative updates to the GCIM/CPIM[2]
- the utilities must message ratepayers when high gas prices are expected[3]
- the utilities should provide ratepayers with electrification resources[4]
- SCG, PG&E, and ISPs must disclose additional data related to their gas activities[5]

The following comments focus on a handful of substantive updates and revisions to the PD to correct factual errors. These comments also request that the Commission consider specific items within the record of the proceeding and use those items to inform key PD revisions. Sierra Club requests that the Commission (1) determine that SoCalGas contributed to the price spike or that SoCalGas had excess and unnecessary storage capacity available during the 2022-2023 winter season, (2) place a moratorium on the incentive mechanism's shareholder rewards until the Commission further reviews the GCIM/CPIM in a future proceeding, (3) require the gas utilities to proactively distribute electrification information to ratepayers as a way to reduce

[1] I.23-03-008, Proposed 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 (January 23, 2025), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M595/K227/595227206.PDF ("PD"); Unless otherwise noted, all citations to parties' comments are to comments within the record of I.23-03-008.
[2] PD, pp. 86-88.
[3] *Id.*, p. 136.
[4] *Id.*, pp. 126, 136.
[5] *Id.*, pp. 137-138.

future gas price spikes, and (4) establish a 1% fuel cost sharing program. These requests and corrections to factual errors are detailed below.

II. THE PD SHOULD BE REVISED TO FIND EITHER THAT SOCALGAS' ACTIONS CONTRIBUTED TO THE 2022-2023 PRICE SPIKE, OR THAT SOCALGAS HAD EXCESS AND UNNECESSARY GAS STORAGE DURING THE PRICE SPIKE.

The PD is internally inconsistent regarding the impact of gas storage on gas prices. In some sections the PD states that supply impacts prices,[6] and limited gas from storage "contributed to high gas prices during winter 2022-2023."[7] Then the PD makes a contradictory finding that 36.9 billion cubic feet of gas retained in storage by SoCalGas at the end of the winter season were not "improperly withheld."[8] The finding is made based on erroneous SoCalGas claims. Sierra Club did not have the opportunity to respond to those claims in comments because SoCalGas made the claims during reply comments.[9] However, Sierra Club responds to each of SoCalGas's inaccurate claims in Section II.A, below. Following that, Section II.B details how SoCalGas either contributed to the gas price spike or had available excess and unnecessary gas storage capacity during the 2022-2023 winter season.

A. SoCalGas made numerous erroneous claims regarding Sierra Club's analyses, including Sierra Club's statistical analyses, and the Commission cannot rely on SoCalGas' inaccurate claims for decision making.

In response to Sierra Club's data analyses and statistical analyses filed in comments on July 7, 2025,[10] SoCalGas' supplied reply comments that contained numerous errors and inaccuracies.[11] SoCalGas' erroneous claims cannot form the basis of any of the PD's findings.

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[6] *Id.*, FOF 1, p. 142.
[7] *Id.*, p. 20, ("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.").
[8] *Id.*, p. 34.
[9] Reply Comments of Southern California Gas Company (U 904 G) to Administrative Law Judge's Ruling Admitting Staff White Paper Part II Into the Record and Seeking Comments (July 25, 2025), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M574/K218/574218686.PDF.
[10] Sierra Club, Opening Comments on Energy Division's White Paper, High Natural Gas Prices in Winter 2022-23: Part II (July 7, 2025), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M572/K574/572574978.PDF.
[11] SoCalGas Reply Comments (July 25, 2025).

Sierra Club provides the following list of SoCalGas' assertions and responds to each one with record information demonstrating the inaccuracy of SoCalGas' claims.

- SoCalGas: "[SoCalGas] must plan to receive a steady flow of gas throughout the winter, and there is a relatively high quantity of pipeline gas entering the system everyday under long-term and monthly contracts… Sierra Club's erroneous claim that SoCalGas could simply rely on withdrawals from storage oversimplifies how the system operates and fails to acknowledge interstate pipeline capacity requirements."[12]

First, SoCalGas mischaracterizes Sierra Club's nuanced comments which are backed by SoCalGas' own statements. Sierra Club's argument to which SoCalGas refers states that: "During times of high gas prices, SoCalGas can sell some of its contracted gas flowing supply prior to that gas being delivered into Southern California. SoCalGas has referred to this practice as 'redirecting' gas.[13] These sales to other market participants across the west allow SoCalGas to withdraw gas from storage to supply demand instead of using flowing supplies."[14] The citation within the quote is retained and identically quoted in these comments as footnote 13, because it contains detailed citations to SoCalGas' own description in other proceedings that specifically contradicts SoCalGas's assertion that it was unable to "rely on withdrawals from storage."[15] Not only can SoCalGas rely on gas from storage, it has provided descriptions in other proceedings – which Sierra Club referenced in the record of the instant proceeding – on how SoCalGas sells gas to other regions outside California and reduces flowing capacity into California. The

[12] *Id.*, p.3.
[13] I.17-02-002, Opening Comments of Southern California Gas Company (U 904 G) to Aliso Canyon I.17-02-002 Phase 3, Workshop No. 2 Presented by FTI Consulting and Gas Supply Consulting, pp. 22-23 (April 20, 2021), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M378/K738/378738592.PDF ("As gas was diverted to those higher-priced markets outside California, SoCalGas's receipts declined sharply and SoCalGas relied heavily on storage withdrawals to support system reliability. SoCalGas daily withdrawals reached 2.5 billion cubic feet or 73% of natural gas send out during height of the event. During this event, SoCalGas's Gas Acquisition department similarly redirected some of its firm natural gas supplies to the higher-priced markets that were impacted by the extreme weather conditions, thus helping to support reliability in states east of California while concurrently reducing core procurement ratepayer costs. Without access to Aliso Canyon storage withdrawals, SoCalGas's Gas Acquisition department would not have been able to redirect these supplies and might even have been exposed to high priced gas to replace deliveries lost to well freeze-offs. SoCalGas's system was essentially an "energy island" due to its robust capability to forego supplies by withdrawing natural gas from storage and minimizing exposure to potentially high prices on extremely cold days as observed this past February.").
[14] Sierra Club Comments, p. 5 (July 7, 2025).
[15] SoCalGas Reply Comments, p. 3 (July 25, 2025).

procedure is common enough that SoCalGas has given the process a name: "redirecting" gas.[16] Thus, SoCalGas' claim is inaccurate. The PD highlights SoCalGas' claim regarding "the requirements to maintain firm interstate pipeline and withdrawal capacity."[17] Sierra Club requests that the PD be updated to note that SoCalGas has described its process for reducing flowing capacity regardless of whether SoCalGas owns firm pipeline capacity. Thus, SoCalGas' claims regarding flowing supply are misleading and irrelevant for the Commission's decision.

- SoCalGas: "Sierra Club's comparison between winter 2022-2023 and earlier periods is again analytically flawed. The operating landscape in 2022-2023 was fundamentally different from prior years."[18]

Sierra Club acknowledges that the conditions were different in the winters of 2016-2017 and 2018-2019. One of those differences established the need for the comparative analysis. SoCalGas goes on to imply that storage inventories at the beginning of winter somehow dictate the storage inventories at the end of winter.[19] That is a fallacy. A prudent gas system operator would utilize its storage capacity to supply cost-effective gas without risking reliability.[20] However, SoCalGas' statement is accurate to the extent that there were different conditions across the years that Sierra Club compared, just like there are different conditions every year. Varying conditions frequently aid analysts in their work. For example, Sierra Club's analysis – which SoCalGas attempted to undermine – showed that in Winter 2022-2023 (Dec-Feb) the average daily gas price was *5.4 times higher* than during the winter of 2016-2017 (Dec-Feb).[21] Despite that, the ending storage inventory in March 2017 was *nearly identical* to the ending storage inventory in March 2023. Regardless of other differences in conditions between the two years, it should be a red flag that the winter-end inventory for the two winters was nearly identical when the average daily price from one winter was five times higher than the other. If storage and price are related, as stated in the PD, a prudent gas system operator would make greater withdrawals from available storage in a higher-price environment.

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[16] *See* n.13.
[17] PD, pp. 32-33.
[18] SoCalGas Reply Comments (July 25, 2025), p.5.
[19] *Id.*
[20] In a subsequent bullet pointed rebuttal, Sierra Club further discusses why SoCalGas's excess gas in storage cannot be attributable to a reliability need.
[21] Sierra Club Comments, Figure 1, p. 4 (July 7, 2025).

The PD summarizes SoCalGas's rebuttal to Sierra Club's analysis in this way: "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."[22] It was not unreasonable for the PD to interpret SoCalGas' claim in that way because SoCalGas' claim was misleading. SoCalGas only described the differences in capacity at Aliso Canyon,[23] even though a large part of SoCalGas's storage capacity is located at three other storage facilities.

When evaluating SoCalGas storage as a whole, the differences between years was not "substantially lower" as the PD summarized based on SoCalGas' misleading narrative. The beginning of winter storage inventory in the 2016-2017 winter was 30% lower than in 2022 and the beginning of winter storage inventory in 2018-2019 was only 13% lower than the 2022-2023 winter.[24] Thus, the start-of-winter inventories were different, but the inventories were clearly similar enough that Sierra Club's analysis cannot be dismissed as unreasonable. Sierra Club requests that the PD be updated to clarify this point.

- SoCalGas: "[I]t seems that Sierra Club compared 3- month average *monthly index prices* at SoCal Citygate to end-of-March inventories."[25]

After the quoted text above, SoCalGas goes on to explain how monthly index prices were inappropriate for Sierra Club's analysis and provides a detailed description to explain why daily prices should have been used. Sierra Club agrees that daily prices are the correct data to use, which is why Sierra Club's analysis used the average daily price and not the monthly index price. This should have been obvious to SoCalGas because the average monthly index price from Dec-Feb was $27.54/MMBtu which is approximately 50% higher than the $18.58 that Sierra Club lists as the average gas price from Dec 2022-Feb 2023. The PD summarizes SoCalGas's assertion as "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

[22] PD, p. 33.
[23] SoCalGas Reply Comments, p. 5 (July 25, 2025) ("That means storage availability at Aliso Canyon in 2016-2017 was nearly 65% lower, and in 2018-2019 roughly 17% lower than in winter 2022-2023.").
[24] Sierra Club Reply Comments on Energy Division Staff White Paper: High Natural Gas Prices in Winter 2022-23: Part I, Figure 1, p. 4 (Aug. 14, 2024), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M538/K617/538617449.PDF.
[25] SoCalGas Reply Comments, p. 6 (July 25, 2025).

evidence."[26] Sierra Club requests that the PD be updated to reflect that SoCalGas made inaccurate assumptions which then led it to inaccurately characterize Sierra Club's analysis. Further, Sierra Club requests that the PD be updated to reflect that Sierra Club's analysis used daily gas prices which SoCalGas agreed was the appropriate data for that analysis.

Review of SoCalGas claims regarding SoCalGas' two statistical analyses:

- SoCalGas: "Sierra Club's argument is based on its own regression analysis which is unsound and unsupported."[27] [Then SoCalGas makes numerous additional claims.]
    - Response: First, it is worth noting that SoCalGas never states that the outputs from Sierra Club's statistical calculations were inaccurate. Nor did SoCalGas supply a competing analysis with different results. Instead SoCalGas quibbles with various aspects of Sierra Club's statistical methods. Following are Sierra Club's responses:

- SoCalGas: "underlying data or sources to support its purported regression analysis. Without this information, neither the Commission nor other parties can evaluate or validate the results, and the claims should not be relied upon."[28]
    - Response: No party, including SoCalGas, submitted a data request asking for any of the underlying data or sources. Further, SoCalGas already has all of the data needed to replicate Sierra Club's analysis. The data used:
        - Demand: Envoy, SoCalGas daily operations data
        - Withdrawals Envoy, SoCalGas daily operations data
        - Gas price: Natural Gas Intelligence ("NGI") daily gas prices at SoCal Citygate

- SoCalGas: "Sierra Club misinterprets and misapplies statistical concepts… R-squared is not a measure of causation."[29]
    - Response: Sierra Club did not assert causation. Sierra Club's analyses defined correlations which is an appropriate use of R-squared calculations.

- SoCalGas: "Sierra Club does not provide coefficients, p-values, or confidence intervals for its analysis, which are necessary to determine whether there is a statistically significant, causal relationship between two variables."[30]
    - Response: Again, causation was not asserted and, just as before, no party including SoCalGas submitted a data request asking for any of these components of Sierra Club's statistical analysis. Because SoCalGas did not ask for the

[26] PD, p. 33.
[27] SoCalGas Reply Comments, p. 8 (July 25, 2025).
[28] *Id*.
[29] *Id*.
[30] *Id*.

information, it appears that SoCalGas' intention was to undermine rather than verify Sierra Club's analysis.

- SoCalGas: "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."[31]
    - Response: Sierra Club acknowledges that analyses with additional variables may produce results that would be of interest to the Commission and is willing to run additional analyses with any data that SoCalGas or the Commission would like to provide. As SoCalGas knows, data is expensive and Sierra Club must be judicious with its resources. Having said that, after reading SoCalGas's reply comments, Sierra Club did take the step of running an additional analysis incorporating a temperature variable. The results of that work did not conflict with the conclusions drawn from Sierra Club's original analysis. If the PD is withdrawn and the Commission orders parties to submit testimony, Sierra Club is willing to present testimony with the updated analysis along with supporting work papers.

In summary, none of SoCalGas's criticisms regarding the Sierra Club's statistical analyses stand up to scrutiny. The criticisms all suggest an intent to muddle the record rather than to provide useful input for the Commission. Sierra Club's statistical analyses are accurate, and the only statistical analyses in the record.

In summary, Sierra Club's data and statistical analyses are accurate and reliable. SoCalGas' attempts to undermine Sierra Club's analyses are based on errors, inaccuracies, and misleading claims. Sierra Club requests that the Commission update the PD to acknowledge this response to SoCalGas' inaccurate assertions and update the PD's findings to incorporate the results of Sierra Club's work. However, if further data is needed for the Commission's investigation before updating its findings, Sierra Club believes that the issue of statistical and data analyses is a factual dispute and ripe for testimony, evidentiary hearings, and briefs.

B. It is possible that SoCalGas used its storage reasonably and prudently, but only if SoCalGas had over 20 billion cubic feet of excess and unnecessary storage capacity available during the 2022-2023 winter.

The PD states that: "We also note that the Commission requires utilities' core procurement departments to maintain sufficient storage inventory to meet high-demand days.

[31] *Id*.

This critical 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."[32] Sierra Club agrees that the reliability requirements are critical, which is why Sierra Club included reliability as a key component in its analyses.[33] Sierra Club provided the Commission with SoCalGas's own evaluation of gas storage needed for reliability purposes.[34] Using SoCalGas's reliability evaluation, and the Aliso Canyon Withdrawal Protocol, Sierra Club was able to determine that the amount of stored gas that SoCalGas retained in its storage facilities far exceeded SoCalGas's calculated reliability need for stored gas.[35]

Thus, while the PD accurately lists the need to accommodate reliability requirements, it is factually inaccurate for the PD to state that the reliability requirement "offers a reasonable explanation for the data presented by Sierra Club."[36] On several occasions, Sierra Club emphasized the difference between the amount of gas that SoCalGas retained in storage, and the amount of gas that SoCalGas stated that it needed in storage to maintain reliability.[37] Sierra Club detailed the difference between the reliability requirement and the much higher amount of gas that SoCalGas retained in storage in every winter month of the 2022-2023 winter season:

> As the Commission noted in the Aliso Canyon Withdrawal Protocol ("Withdrawal Protocol"), Withdrawal Protocol Condition 3 was "designed to ensure that adequate inventory levels remain at the non-Aliso fields before the end of each winter month. SoCalGas' Aliso Canyon Risk Assessment Technical Report 2018-19 Supplement identified month-end minimum inventory requirements needed to preserve withdrawal rates for core reliability." … SoCalGas found that reliability could be maintained

[32] PD, pp. 33-34 (citation omitted).
[33] Sierra Club Comments, pp. 14-15 (July 7, 2025); Sierra Club Reply Comments on Assigned Commissioners Ruling Directing and Authorizing Responses to Additional Questions Regarding Preparation for Winter 2023-2024, Figure 1, p. 6 (Oct. 6, 2023), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M520/K530/520530259.PDF; Sierra Club Reply Comments, figure 2, p. 7 (Aug. 14, 2024); Sierra Club Comments, Figure 6, p. 15 (July 7, 2025).
[34] Sierra Club Comments, p. 15, n.36 (July 7, 2025) ("SoCalGas Aliso Canyon Risk Assessment Technical Report Winter 2018-2019 Supplement (Nov. 2, 2018), https://www.cpuc.ca.gov/-/media/cpucwebsite/files/uploadedfiles/cpucwebsite/content/news_room/newsupdates/2018/2018-11-02-socalgas-r-schweckeletter-to-cec-enclosing-winter-2018-19-technical-assessment.pdf.").
[35] Sierra Club Comments, pp. 14-15 (July 7, 2025).
[36] PD, p. 34.
[37] Sierra Club Reply Comments, Figure 1, p. 6 (Oct. 6, 2023); Sierra Club Reply Comments, figure 2, p. 7 (Aug. 14, 2024); Sierra Club Comments, Figure 6, p. 15 (July 7, 2025).

with much lower end-of-month storage inventory levels than the 2022-2023 winter end-of-month inventories.[38]

Thus, Sierra Club's analyses in the record provide detailed accounting of the amount of gas that SoCalGas retained in storage beyond the amount of gas that SoCalGas claimed would be needed to maintain reliability even in an extreme-worst-case scenario. Sierra Club's comments showed (using SoCalGas data) that at the end of December SoCalGas retained 34.0 Bcf in excess of storage needed for reliability.[39] That excess still remained above 20 Bcf at the end of March.[40] Both Sierra Club's analysis as well as Energy Division's analysis in White Paper 2,[41] show that SoCalGas had excess withdrawal capacity in every winter month.[42] White Paper 2 stated that "[o]n average, SoCalGas customers used approximately 50 to 70 percent of available capacity during this period."[43] Thus, SoCalGas used significantly less withdrawal capacity than it had available and retained tens of billions of cubic feet more gas in storage than SoCalGas's own reliability analysis claimed would be needed for reliability.

There are two possible explanations for SoCalGas' puzzling use of gas storage during the 2022-2023 winter season. First, it is possible that SoCalGas improperly withheld 20-30 Bcf of gas from customers (depending on the month), which could have impacted the price of gas during the 2022-2023 winter contributing to the gas price spike. In this scenario, SoCalGas would likely be liable for some of the costs incurred by gas and electric ratepayers during the 2022-2023 winter season. The Energy Division White Paper 2 states that CAISO's analysis found that "CAISO wholesale day-ahead market costs were $5 billion in December 2022 compared to $1 billion in December of the previous and subsequent years. Moreover, daily wholesale market costs for all months during the winter of 2022-23 were elevated compared to previous and subsequent years… due to elevated natural gas prices and their effect on the wholesale electricity market."[44] The 2022-2023 winter months of November through March also experience higher CAISO wholesale market prices, which in total show that just electricity prices

[38] Sierra Club Comments, Figure 6, pp. 14-15 (July 7, 2025) (citations omitted).
[39] *Id.*, Figure 6, p. 15.
[40] *Id.*
[41] High Natural Gas Prices in Winter 2022-23: Part II, p. 22 (June 5, 2025), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M567/K955/567955443.PDF ("White Paper 2").
[42] *Id.*
[43] *Id*.
[44] *Id.*, p. 36; *see also*, *id.*, Figure 13, p. 36.

were between $5 and $6 billion *higher* in the 2022-2023 winter than either the winter before or the winter after. While electricity ratepayers may not have paid the entire additional amount, ratepayers plus other entities did. White Paper 2 also noted that it was the natural gas prices in SoCalGas's territory – not PG&E territory – that drove the higher prices across the state.[45] Thus, if SoCalGas's use of storage was improper, SoCalGas contributed to more than $5 billion in extra costs during the 2022-2023 winter, just within the electricity market.

The additional costs in the gas market were billions more. White Paper 1 states that SoCalGas customers "saw an average 147 percent increase in their January 2023 gas bills compared to January 2022."[46] SoCalGas has approximately 5.9 million residential gas customers,[47] and the January 2022 average non-CARE bill of SoCalGas customers was $124.[48] Thus, residential customers in January 2023 paid an extra $1.07 billion compared to January 2022.[49] Commercial and industrial customers also paid extra, and gas prices were significantly elevated from December-February, not just January. Thus, conservatively, the total extra cost for gas and electricity in winter 2022-2023 exceeded $7 billion ($5 billion for electricity and $2 billion for gas). SoCalGas's actions may have contributed to these additional costs.

The second possibility is that SoCalGas used its storage resources reasonably, but SoCalGas simply had more storage capacity than was needed during the 2022-2023 winter season. If SoCalGas Gas Acquisition retained a reasonable amount of gas in storage during these record-high gas prices, then the excess storage capacity that SoCalGas had online during the 2022-2023 winter season was 21.6 Bcf, which is the difference between the low SoCalGas gas storage inventory in March (36.9 Bcf) and the amount that SoCalGas calculated would be needed to ensure reliability at the end of March (15.3 Bcf).[50] A finding that SoCalGas had excess storage capacity, but used the available storage capacity in a reasonable way, is supported by the California Energy Commission ("CEC") analysis referenced in the PD: *CEC Winter 2022-2023*

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[45] *Id.*, p. 55.
[46] High Natural Gas Prices in Winter 2022-23: Part I, p. 7 (Feb. 13, 2025), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M556/K897/556897251.PDF.
[47] SoCalGas, "About Us", https://www.socalgas.com/about-us (last visited Feb. 12, 2026).
[48] CPUC, Letter and Fact Sheet, pdf p. 8 (Feb. 1, 2023), https://webtraining.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/documents/natural-gas-and-oil-pipeline-regulation/winter-2023/cpuc-0112-response-letter-to-assemblymembers.pdf?sc_lang=en&hash=FCEC1DF82CED020BF169AB1E310095D6.
[49] $(124 x 1.47) x 5,900,000 = $1,075,452,000.
[50] Sierra Club Comments, Figure 6, pp. 14-15 (July 7, 2025).

Southern California Gas Company Reliability Assessment.[51] The PD states that the CEC "forecasted the 2022-2023 winter-ending inventory in the high-demand case to be 45 Bcf."[52] Thus, it would be reasonable to find that SoCalGas had *at least* 21.6 Bcf of excess capacity during the 2022-2023 winter season and possibly more as indicated by the CEC's analysis.

In summary there are two possibilities, either SoCalGas contributed to a gas price spike that resulted more than $7 billion in excess energy costs during the 2022-2023 winter, or SoCalGas used its stored gas and gas infrastructure reasonably but had excess and unnecessary storage capacity during the 2022-2023 winter season. Sierra Club recommends that the Commission update the PD to make one of these two findings. A third option would be for the Commission to withdraw the PD, to continue the investigation, and to require testimony, evidentiary hearings, and briefs. For example, it would be reasonable to require a representative from SoCalGas Acquisition to testify before the Commission regarding the unusual actions taken by SoCalGas Acquisition during the 2022-2023 winter.

III. UNTIL THE COMMISSION UPDATES THE INCENTIVE MECHANISMS IN A FUTURE PROCEEDING, THE PD SHOULD PLACE A MORITORIUM ON THE UTILTIES' GCIM/CPIM SHAREHOLDER REWARDS.

The CGIM and CPIM (jointly the "incentive mechanisms") grant shareholder rewards or assess penalties in response to the performance of the gas utilities' core customer procurement groups' performance over the course of each year. In practice, penalties are not assessed. The PD acknowledges that "PG&E and SoCalGas shareholders consistently received awards from the CPIM and GCIM over the 10-year review periods."[53] White Paper 3 highlighted that, in fact, the trend of routine rewards extends much further, stating that GCIM "savings and rewards were achieved every year under the GCIM, except the initial year of operation in 1995."[54] In fact the tables in White Paper 3 do not even include a column for shareholder penalties, because over the entire 12-year period reviewed in White Paper 3,[55] *a penalty was never assessed*.[56] There was

[51] PD, p. 34, n.132.
[52] *Id*.
[53] *Id.*, p 153, FOF 110.
[54] High Natural Gas Prices in Winter 2022-23: Part III (Revised), p. 49 (Dec. 16, 2025), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M590/K986/590986317.PDF ("White Paper 3").
[55] White Paper 3, Table 13, Table 14, Table 24, Table 26.
[56] White Paper 3, Table 26, pp. 64-65 (GCIM/CPIM years 19-30).

only one time during the period that either SoCalGas or PG&E's performance landed in the "tolerance band," which produces neither a reward nor a penalty.[57] These facts show that the GCIM/CPIM benchmarks are set so low that shareholders have been receiving decades of rewards for routine performance. The PD appears to partially acknowledge this by listing several substantive problems with the incentive mechanisms. It also states that White Paper 3 recommends that the Commission further investigate these issues.[58] However, while the PD adopted the administrative process recommendations from White Paper 3,[59] the PD remains silent on further action or investigation of the issues the White Paper 3 noted that could result in updates to the benchmark or reward/penalty calculations.[60] Thus, if the PD is not revised, then gas utilities' routine performances will continue to earn shareholders millions of dollars in annual rewards.[61] Sierra Club recommends that the PD be updated to place a moratorium on the incentive mechanism's shareholder rewards until the Commission, in a new proceeding, completes a thorough review of the substantive issues raised in White Paper 3 and determines what changes should be made to the mechanisms.

IV. THE COMMISSION SHOULD REQUIRE THE UTILTIES TO DISTRIBUTE COMMISSION-PROVIDED ELECTRIFICATION INFORMATION TO RATEPAYERS TO REDUCE THE LIKIHOOD OF FUTURE GAS PRICE SPIKES.

Scoping memo issue 3 asks "[w]hat 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?"[62] Requiring electrification education of customers represents a significant and concrete step that would minimize the likelihood of future gas price spikes because electrification education will lead to less gas reliance in the future. While Sierra Club agrees with the PD that electrification information is "not immediately

[57] *Id.,* CPIM year 29.
[58] PD, p. 81, n.359; PD, p. 82, n.363; PD, p. 82, n.366.
[59] PD, p. 86-88.
[60] PD, p. 81 n.359; PD, p. 82, n.363; PD, p. 82, n.366.
[61] Opening Comments of Sierra Club on Energy Division's White Paper, High Natural Gas Prices in Winter 2022-23: Part III (Updated), Figure 1, p. 7 (Oct. 31, 2025), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M586/K143/586143248.PDF.
[62] Assigned Commissioner's Scoping Memo and Ruling, p. 2, issue 3 (Sept. 5, 2023), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M519/K776/519776476.PDF.

relevant to customers who need to respond to a sudden, unexpected increase in their gas bills,"[63] and appreciates that the PD still "encourage[s] gas utilities to communicate electrification information to customers,"[64] only ordering messaging as a reactive step to price spikes misses an opportunity. Sierra Club recommends that the Commission require proactive communication on the benefits of electrification, including bill stability. This communication should be in the form of a monthly bill insert, or at a minimum, a quarterly bill insert and an email to customers. The bill insert and email should be a Commission-provided fact sheet on electrification. This information would increase electrification in California thereby reducing gas demand and reducing the "likelihood of similar gas price spikes,"[65] in alignment with the scope of this investigation.

V. THE COMMISSION SHOULD ESTABLISH A FUEL COST SHARING PROGRAM THAT REQUIRES THE GAS UTILITIES TO PAY 1% OF CORE CUSTOMER GAS PROCUREMENT COSTS.

Throughout this proceeding, Sierra Club has requested that the Commission establish a fuel cost sharing program where the gas utilities pay a percentage of core customers' gas procurement costs. One benefit of a fuel cost sharing program is aligning shareholder and ratepayer incentives—unlike the incentive mechanisms, which do the opposite. For instance, during the 2022-2023 winter price spike, ratepayers paid the highest average winter gas costs on record since the since the energy crisis. At the same time, the GCIM formula calculated the highest shareholder reward on record, more than double the prior shareholder reward.[66] Simply put, the incentive mechanisms pay gas shareholders higher rewards when ratepayers pay higher gas bills. Fuel cost sharing would correct this misalignment, and would be simple to calculate and administer.

The PD states that its primary reason for declining the fuel cost sharing recommendation is that the PD "cannot make findings to support replacing the incentive mechanisms with Sierra Club's model for fuel-cost sharing."[67] However, the Commission need not choose just one program or the other. It would be reasonable to employ both the incentive mechanisms and fuel

[63] PD, p. 126.
[64] *Id*.
[65] Scoping Memo (Sept. 5, 2023), p. 2, issue 3.
[66] Sierra Club Comments, Figure 1, p. 7 (Oct. 31, 2025).
[67] PD, p. 89.

cost sharing, at least until the Commission can evaluate the incentive mechanisms in a new proceeding and update the mechanisms to align shareholder and ratepayer incentives.

The PD further states that it has a "concern that requiring shareholders to pay 20 percent or more of core commodity costs would create a financially unstable utility model." However, the Commission is not restricted to selecting a 20% fuel cost sharing model. Just as with all other issues, the Commission can adopt parts of a proposal or modify a proposal as long as there is supportive record evidence. For example, the PD adopts parts of the CPC cap proposal with significant modifications. Similarly, the Commission could institute a fuel cost sharing program that assigns utilities 1% or 2% of core customers' procurement costs rather than the 20% that Sierra Club initially proposed. The table below shows what 1% fuel cost sharing would look like for the years 2018-2024.[68]

1% Fuel Cost Sharing								Average Excluding
	2018	2019	2020	2021	2022	2023	2024	2022&2023
PG&E	$ 8,792,700	$ 9,357,820	$ 7,703,370	$ 8,659,240	$11,109,500	$ 9,867,870	$10,180,460	$ 8,938,718
SoCalGas	$10,483,930	$11,340,440	$ 9,234,970	$14,171,470	$23,658,400	$34,080,390	$11,864,390	$ 11,419,040
SDG&E	$ 1,395,060	$ 1,570,160	$ 1,283,460	$ 1,922,120	$ 3,276,650	$ 4,741,260	$ 1,698,790	$ 1,573,918

The last column in the table above shows an average 1% annual fuel cost share for utilities, excluding years 2022 and 2023, which had unusually high gas prices for the Sempra utilities. However, even in 2023, the year with the highest-priced gas, the fuel cost share of the Sempra utilities is less than 4% of their total profits for the year. And a 1% fuel cost share for PG&E in 2023 would represent less than half of 1 percent of its 2023 profits.[69] Sierra Club recommends that a 1% fuel cost sharing level – while lower than Sierra Club would like – represents a reasonable alternative to the 20% originally proposed and ensures a financially stable utility model, which was only concern the PD voiced with the fuel cost sharing proposal. Sierra Club requests that the PD be updated to order fuel cost sharing.

[68] Source data: CPUC, 2024 California Electric and Gas Utility Costs Report: AB 67 Annual Report to the Governor and Legislature, Table 7.5, p. 90 (Sept. 2025), https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2025/ab67_puc913_102425.pdf.

[69] Sierra Club Reply Comments on Assigned Commissioner's Ruling Issuing First Amendment to Scoping Memo and Seeking Comments, Table 2, p. 11 (June 21, 2024), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M534/K105/534105832.PDF (The respective utilities' 2023 profits can be found by summing the last two columns for in Table 2.).

VI. CONCLUSION

Sierra Club requests that the PD be updated to: (1) require the utilities to deliver Commission-provided educational materials on electrification to reduce the likelihood of a gas price spike in the future; (2) Place a moratorium on gas procurement incentive mechanism rewards until the Commission can evaluate the GCIM/CPIM in a future proceeding; and (3) institute a 1% fuel cost sharing program to align shareholder and ratepayer incentives.

Regarding SoCalGas's contribution to the gas price spike, the PD should be updated to correct the factual errors described in Section II, above. Then, using the record evidence, the Commission should make one of three findings: (1) SoCalGas's actions contributed to the gas price spike, (2) SoCalGas's actions were reasonable, but that SoCalGas had 21.6 Bcf of excess and unnecessary storage capacity during the 2022-2023 winter, or (3) the Commission needs more evidence to make its determination and that evidence will be collected through testimony, evidentiary hearings, and briefs within this proceeding.

Dated: February 12, 2026

Respectfully submitted,

/s/ Jim Dennison

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APPENDIX A

Requested Modifications to Proposed Decision

PD text, proposed additions:

Page 13:
Sierra Club's claims are also based on counting the number of days below 50 degrees Fahrenheit. As explained in White Paper: Part I, heating degree days are an indicator of space-heating demand. A heating degree day for a single day equals 65 degrees Fahrenheit minus the average of the highest and lowest hourly temperatures for the day, if greater than or equal to zero. **Sierra Club's analysis of heating degree days aligns with White Paper 1's findings and highlights the importance of evaluating the three coldest months December through February.**[1] ~~Because~~ White Paper: Part I**'s analysis and Sierra Club's analysis persuade us that** ~~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.

Page 31:
In response, SoCalGas states that Sierra Club's arguments do not reflect its core procurement department's actual storage injections or withdrawals. **In a subsequent analysis Sierra Club showed that SoCalGas's January 2023 bidweek storage withdrawal (i.e., Dec 23, 27, 28) were the lowest January bidweek withdrawals in the decade except for the January 2017 bidweek when the Commission restricted SoCalGas from withdrawing gas from Aliso Canyon. The analysis also shows that SoCalGas has withdrawn approximately 8,000 MMcfd during January bidweeks in prior years.**

Sierra Club's analyses raise reasonable points which we considered in our decision making. However, ~~W~~ **w**e are not persuaded that SoCalGas's storage decisions were unreasonable. There…

Page 32:
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.

Page 33:
~~According to~~ SoCalGas **inaccurately asserts that**~~,~~ 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. 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. **However, SoCalGas did not request this data from Sierra Club through a data request. SoCalGas did not provide any**

[1] Sierra Club Comments, (July 31, 2024), pp. 6-9.

competing statistical analyses. SoCalGas did not contend that Sierra Club's linear regressions were inaccurate but rather criticized Sierra Club's presentation. Additionally, Sierra Club discussed its regressions as correlations and did not assert causation. 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. **We note that Sierra Club has confirmed that its regressions used daily rather than monthly index prices, which both parties assert to be the correct variable for this type of analysis.**

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. **However, Sierra Club's analyses remain valuable because they reasonably evaluated gas storage usage and we considered the analyses within our decision-making processes. There is no record evidence that demonstrates that Sierra Club's regression analyses were inaccurate. Some parties would have liked Sierra Club to run additional analyses with more variables.**

Page 33-34:

We also note that the Commission requires utilities' core procurement departments to maintain sufficient storage inventory to meet high-demand days. This critical 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~~. **Sierra Club provided detailed analyses regarding the amount of gas storage that SoCalGas was required to maintain for reliability.[2] Sierra Club also calculated the amount of stored gas that SoCalGas retained in storage beyond the amount needed for reliability purposes.[3]** Moreover, the California Energy Commission (CEC) forecasted the 2022-2023 winter-ending inventory in the high-demand case to be 45 Bcf. White Paper: Part I demonstrates that SoCalGas storage levels were below 40 Bcf as of March 28, 2023. For these reasons, we do not find that SoCalGas Gas Acquisition improperly withheld withdrawal capability**, but rather that SoCalGas had more storage capacity than was needed to reliably and cost-effectively serve customers during even extreme winter conditions**.

Page 34:

Finally, Sierra Club **provides CEC data showing** ~~asserts~~ that **the designed withdrawal capacity of** SoCalGas'**s storage facilities is significantly higher than** ~~underreported its~~ **the** gas withdrawal capacity **that SoCalGas reported** on its Envoy system during winter 2022-2023. 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. However, the data on Envoy reflects real-time operationally available withdrawal capacity.

[2] Sierra Club Comments (July 7, 2025), pp. 14-15, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M572/K574/572574978.PDF; Sierra Club Reply Comments

[3] *Ibid.*

We agree with SoCalGas that **system operations impact withdrawal capacity. We also agree with Sierra Club that the withdrawal capacity during the 2022-2023 winter season was significantly lower than the designed withdrawal capacity of SoCalGas's storage system.** ~~it reported its gas withdrawal capacity accurately on Envoy during winter 2022-2023~~. The purpose of…

Page 35:
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**, rather it is reasonable that the 36.9 Bcf of excess gas that SoCalGas retained in storage at the end of March 2023 represented 15.3 Bcf of gas required as a reliability buffer and 21.6 Bcf of excess storage capacity that was unnecessary for reliability or for price containment.**[4] 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.

Page 62:
In 2013, 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. **However, the Commission responded to that motion in D.23-02-014 without taking up the issue of level pay plans.**

Page 36:
Here, we decline to adopt Sierra Club's suggestion to acknowledge that hedging is responsible for ratepayer losses and increased volatility. **Sierra Club supports its position on hedging by citing to White Paper 3 data that shows significant hedging losses that SoCalGas incurred on behalf of its customers.[5] We agree with Sierra Club that hedging contains risks, however, the record also shows that** ~~There is no support in the record for such a finding. Instead, the record supports a finding that~~ hedging mitigates gas price spikes.

Page 86:
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. **We are concerned that the incentive mechanisms appear to reward routine procurement performance as demonstrated by a nearly unbroken string of shareholder rewards over the 30-plus years of the programs. Thus, we will further review the incentive mechanisms in a future proceeding. Until we have reviewed and updated the mechanisms in a future proceeding, we declare a moratorium on incentive mechanism-based shareholder rewards. However the rest of the GCIM and CPIM will continue**. .~~Accordingly, his decision does not consider or adopt substantial changes to the GCIM and CPIM.~~

~~However~~ **Additionally**, White Paper: Part III offers…

[4] Sierra Club Comments (February 12, 2026), p. 10-11.
[5] Sierra Club Comments (November 14, 2025), p. 4-5.

Page 89:
We ~~decline to~~ adopt Sierra Club's recommendations **to start a fuel cost sharing program** ~~in this decision~~ primarily because ~~we cannot make findings to support replacing the incentive mechanisms with~~ Sierra Club's model for fuel-cost sharing **aligns ratepayer and shareholder interests.** ~~Instead, w~~ **W**e agree…

Page 90:
These findings support the conclusion of maintaining the GCIM and CPIM **and also support** ~~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. **Thus, instead of a 20% fuel cost sharing responsibility we direct the gas utilities to pay 1% of core customer procurement costs.**

Page 125:
~~However, we~~ **Additionally, 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. **However, over the long term, electrification education will lead to an increase in fuel switching and a decreased likelihood that a gas price spike will recur. Thus, we require the gas utilities to send a quarterly email and bill insert to customers of a Commission-provided fact sheet on electrification.**

Finding of Fact (proposed revisions/additions):

FOF 58:
~~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~~

FOF 80:
80. Following the Costa Azul project's completion, competition for limited pipeline capacity **will** ~~may~~ intensify due to higher LNG exports from Mexico.

FOF 154:
154. Information about electrification is not immediately relevant to customers who need to respond to a sudden, unexpected increase in their gas bills**, but regular electrification messaging will decrease the likelihood of a gas price spike recurring.**

New FOF:
SoCalGas needs to retain 15.3 Bcf in storage at the end of March to ensure reliable gas supply.

New FOF:
SoCalGas had 36.9 Bcf of gas remaining in storage at the end of March 2023.

New FOF:
During the winer of 2022-2023 SoCalGas had 21.6 Bcf of excess gas storage capacity beyond the amount needed to ensure reliable service and beyond what was necessary for cost-mitigating storage operations.

New FOF:
Electrification education will lead to lower gas use over the long-term.

New FOF:
A reduction in gas use will lower the likelihood of a gas price spike recurring.

Conclusions of Law (proposed revisions/additions):

New COL:
It is reasonable to establish a moratorium on incentive mechanisms-based shareholder rewards until the Commission completes a further review of the incentive mechanisms in a future proceeding.

New COL:
It is reasonable to educate gas customers on electrification to reduce the likelihood that a gas price spike with recur.

New COL:
It is reasonable to institute a fuel cost sharing program to better align ratepayer and shareholder interests.

Ordering Paragraphs (proposed revisions/additions):

NEW OP:
Until the Commission completes further review of the incentive mechanisms in a future proceeding, there shall be a moratorium on GCIM and CPIM shareholder rewards.

New OP:
In the first quarter of each month, every gas utility will distribute a Commission-provided fact sheet to its customers on electrification. The distribution will be in the form of a bill insert and an email to any customer that has agreed to receive email communications.

New OP:
The gas utilities shall share the cost of their core customers' gas procurement by paying 1% of core gas procurement costs.