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**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 Market.

Investigation 23-03-008

**OPENING COMMENTS OF SMALL BUSINESS UTILITY ADVOCATES  
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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## SUMMARY OF RECOMMENDATIONS

SBUA recommends approval of the Proposed Decision, with minor modifications. SBUA offers its proposed modifications to the PD's language in Appendix A. SBUA summarizes those recommendations as follows:

- The cap on recoverable fees from the Core Procurement Charge should be lowered for all ratepayers. In the alternative, the Commission should require the recovery of any resulting undercollection to be subject to a formal Application process under Pub. Util. Code § 451.
- The Commission should evaluate, in R.24-09-012 (long-term gas planning) or a successor proceeding, whether total aggregate minimum pre-winter core storage inventory targets should be calibrated to withstand sustained high-demand winter scenarios, rather than to meet historical averages and high-use days alone.
- The Commission should evaluate, in the next relevant general rate case, or other proceeding, whether modifications to LNG or pipeline contract criteria are warranted to protect core customers from scarcity-driven price escalation exacerbated by increased LNG export demand.
- The Commission's determination that an opt-out level payment plan is outside the scope of this proceeding and would mute conservation price signals should not foreclose consideration, in a successor to R.18-07-006 (affordability) or other proceeding, of whether opt-out level payment plans are appropriate for small commercial customers, or other ratepayers whose gas demand is substantially inelastic to short-term price signals.

**TABLE OF AUTHORITIES**

Commission Decisions and Rulings

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**I. INTRODUCTION**

Pursuant to Commission Rule 14.3, Small Business Utility Advocates (SBUA) provides the following comments on the ALJ's Proposed Decision (PD) on the Causes and Contributors to the 2022-2023 Gas Price Spike and Directions to Reduce Future Price Spikes. While SBUA supports the PD's overall framework for mitigating future gas price spikes, SBUA proposes targeted modifications.

**II. SBUA SUPPORTS A TEMPORARY CAP ON CORE PROCUREMENT CHARGES, BUT RECOMMENDS A LOWER CAP ON RECOVERY.**

SBUA supports a temporary cap on the Core Procurement Charge (CPC), during declared gas price spike events, as a reasonable bill-stabilization tool. The PD recognizes that extreme commodity cost increases, in conjunction with other factors, caused rate shock for core

customers – resulting in an average increased gas bill of 147%.<sup>1</sup> The PD adopts a Core Procurement Charge cap at 150% above 10-year averages, citing concerns – from prior Commission Decisions – that setting a price cap too low may increase the risk of “substantial undercollection without its customers benefitting from accurate price signals.”<sup>2</sup> SBUA supports a price cap; however, as noted generally throughout this proceeding, small business ratepayers are often constrained in their gas and electricity usage requirements. As such, it is unlikely that small business customers would be able to react to price signals that the Commission cites as a concern for setting a lower cap. SBUA reiterates its prior position that the cap should be set lower (*e.g.*, SBUA has suggested a cap on cost recovery of no more than 15% above historical averages).<sup>3</sup> For small commercial customers with limited cash-flow flexibility, preventing acute and exacerbated utility spikes is critical.

If the cap is not lowered, SBUA suggests that the Commission should only allow recovery of these extraordinary costs (or some subset of these excess fees) through a formal Application process, as opposed to an Advice Letter.<sup>4</sup> The magnitude of impacts on ratepayers associated with these price shocks warrant additional procedural protections afforded by the Application process, and SBUA therefore requests that the Commission decision require increased transparency and accountability associated with cost recovery through an Application. Given that gas price spikes can result in long-term rate impacts, ratepayers are entitled to a

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<sup>1</sup> PD at 58, 55 (also noting that in January of 2023, SoCalGas’ monthly core procurement price was 726% above the 10-year average).

<sup>2</sup> PD at 57, referencing D.97-07-061 and D.05-10-044.

<sup>3</sup> Opening Comments of Small Business Utility Advocates on Questions Regarding Potential Relief Measures, June 10, 2024, at 5.

<sup>4</sup> PD at 58–60 (allowing recovery by advice letter).

robust review mechanism, and the Commission’s requirement is fully consistent with Pub. Util. Code § 451.

**III. THE COMMISSION SHOULD PRESERVE FURTHER REVIEW OF STORAGE DEPLOYMENT AND WITHDRAWAL FLEXIBILITY.**

The record in this proceeding demonstrates that the Winter 2022–2023 price spike was caused by numerous compounding factors, including sustained below-normal temperatures, interstate pipeline constraints (including the outage of El Paso Line 2000), reduced natural gas flows from Western supply basins, and national market volatility during Winter Storm Elliot.<sup>5</sup> It is therefore unlikely that any single reform could have fully mitigated or avoided those cost pressures. However, increased storage capacity and withdrawal flexibility may have reduced the severity and duration of the spike, and reform to gas storage capacity and withdrawal flexibility is a tool directly available to the Commission to mitigate future risk.

Natural gas storage serves as a buffer during periods of supply disruptions or abnormal demand events. During Winter 2022–2023, reduced overall storage inventories in the Western United States contributed to elevated gas prices.<sup>6</sup> Low regional inventories, pipeline outages, and operational limits at Aliso Canyon forced utilities to rely more heavily on high-priced indexed purchases. While modified storage requirements cannot fully offset price impacts driven by national or international events (as the PD notes, the price spikes were “not a California-specific issue”), storage nevertheless plays a central role in moderating volatility. Additional gas capacity, more diversified geographic storage, and more flexible withdrawal protocols could

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<sup>5</sup> PD at 12–18, 21–22 (noting generally that storage levels declined rapidly during early winter demand).

<sup>6</sup> PD at 36; 97.

have reduced the volume of gas that was necessary to be purchased at high spot prices. Increased pre-winter inventory levels could have extended withdrawal capability into peak months, reducing price escalation during the most acute periods of customer demand. Even a modest reduction in reliance on index-based purchases could have yielded ratepayer savings.

While the PD found that the utilities met their pre-winter storage requirements,<sup>7</sup> SBUA respectfully recommends that the Commission explore whether increasing minimum pre-winter storage requirements would be a prudent exercise of Commission authority. The PD found that – immediately before price spikes – PG&E’s Core Gas Supply held more than 90 percent of its contracted gas storage capacity, and SoCalGas’ storage levels for core customers were above the five-year average.<sup>8</sup> This suggests that the minimum aggregate physical storage capacity (or contractually required storage) requirements, for the major IOUs, may not be sufficient to appropriately accommodate the next extended period of abnormally high demand or supply constraints. While storage cannot serve as a direct price control mechanism, increased overall storage should improve resilience and mitigate volatility. As such, the Commission should explore whether enhanced minimum inventory targets, specifically calibrated to withstand high winter demand scenarios (as opposed to planning only to match historical averages or “high-demand days”), would be a prudent exercise of Commission authority.<sup>9</sup>

The PD finds that the record does not establish that the utilities or independent storage provider (ISP)<sup>10</sup> improperly caused or contributed to the gas price spikes of 2022-2023, or

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<sup>7</sup> PD at 147.

<sup>8</sup> PD at 31.

<sup>9</sup> PD at 33 (noting that the Commission requires utilities to procure sufficient storage inventory to meet “high-demand days”).

<sup>10</sup> PD at 36.

otherwise acted unreasonably;<sup>11</sup> however, a finding that the utilities and storage providers did not act unreasonably should not preclude potential future action on storage mandates. SBUA respectfully requests that the Commission examine further, in R.24-09-012, A.25-04-019, or a successor proceeding, whether existing storage requirements and withdrawal protocols may be optimized, to serve as a price-mitigation tool during extreme events.<sup>12</sup>

California remains dependent on out-of-state gas supply and is exposed to price fluctuations from global gas commodity markets; furthermore, the future long-term impacts of climate change on California winters is unknown. As such, examining whether to modestly expand total aggregate storage requirements would be a pragmatic exercise and – if found relevant – could serve as a tool immediately available to the Commission to improve California energy security and insulate ratepayers, including small commercial customers. Such clarification would align with the PD’s general recognition that storage limitations contribute to price volatility.<sup>13</sup> SBUA therefore requests that the Commission evaluate whether aggregate storage requirements should be increased. At a minimum, the Commission should clarify that the PD’s findings do not preclude future reforms to storage inventory requirements, withdrawal protocols, or contingency planning standards.

**IV. THE PD OVERLY CONSTRAINS THE UTILITIES’ ABILITY TO PURSUE REMEDIES RELATING TO LNG-RELATED SUPPLY PRESSURES.**

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<sup>11</sup> See, e.g., PD at 31–35; at 32 (“we are not persuaded that SoCalGas Gas Acquisition acted unreasonably by injecting gas into storage during late December 2022.”).

<sup>12</sup> See SBUA Reply Comments on White Paper II at 1–2.

<sup>13</sup> See, e.g., PD at 19 (discussing findings from D.23-08-050 at 14, 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.”).

SBUA posited the reservation of pipeline capacity for core customers, and suggested implementing regulatory oversight to determine the effects of LNG exports on domestic gas and electric prices.<sup>14</sup> As SBUA suggested, utilities could work with stakeholders to effectively shore-up domestic supply and prioritize core customers during periods of abnormal demand or supply constraints.<sup>15</sup> Such measures could reduce the risk that available transmission capacity is not fully committed solely to LNG export or non-core uses.

The PD declines to adopt SBUA's recommendation to reserve pipeline capacity for Californians or core customers, reasoning that the Commission does not maintain authority to implement such measures.<sup>16</sup> However, SBUA's recommendation was not intended to directly encroach on the regulation of interstate pipelines; rather, SBUA requests that the Commission review and prioritize access policies in a manner that protects core customers from scarcity-driven price escalation. Thus, while the PD correctly notes that the Commission does not maintain explicit authority to regulate interstate pipeline allocation or LNG export projects, the PD does generally acknowledge that the Commission retains authority over various related components, including: intrastate infrastructure approvals, backbone transmission access, and pipeline contract criteria. The Commission should seek to maximize its authority to protect California ratepayers and minimize volatility that could arise from demand pressures exacerbated by LNG exports, to the extent possible. As such, SBUA requests that the Commission clarify that the Proposed Decision does not preclude the Commission from addressing these factors, with a specific focus to mitigate LNG-driven scarcity impacts.

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<sup>14</sup> SBUA Opening Comments on Questions Regarding Potential Relief Measures at 7.

<sup>15</sup> *Id.*

<sup>16</sup> PD at 49.

**V. THE COMMISSION SHOULD RECONSIDER ITS REJECTION OF DEFAULT LEVEL PAYMENT PLANS, AS RELATING TO SMALL BUSINESS CUSTOMERS.**

The PD rejects SBUA's support for opt-out level payment plans,<sup>17</sup> citing concerns that adopting a level payment plan may mute price signals that would otherwise incent ratepayers to conserve gas usage during winter months.

SBUA agrees with the PD that a universal, default-level billing program for all customers could raise demand-based policy concerns. However, small commercial customers are generally incapable of meaningfully reducing gas consumption in response to short-term price signals. Price shocks are fully borne by small business ratepayers. As such, SBUA requests that the Commission reconsider whether level payment plans may be appropriate, specifically for small business customers, in a future proceeding or in R.18-07-006.

**VI. CONCLUSION**

SBUA commends the Commission for reviewing the root causes for the price shocks of winter 2022-2023, and adopting meaningful protections for core customers – including a price cap on Core Procurement Charges. However, SBUA requests that the cap be lowered for all ratepayers and, alternatively, that excess fees be collected via a formal Application process, as opposed to Advice Letter. Additionally, SBUA asks that the Commission: consider whether increasing aggregate minimum storage requirements would be prudent; evaluate methods to reduce the risk that LNG-exports could further exacerbate price pressures during price shock events; and clarify that this decision does not preclude further action on opt-out level payment plans for small commercial customers.

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<sup>17</sup> PD at 63; 151 FOF 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.”).

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Respectfully submitted,

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**SBUA APPENDIX A**

**SUGGESTED MODIFICATIONS AGAINST THOSE FOUND  
IN THE PROPOSED DECISION**

PD's Reference	Proposed Change (additions in <i>italics</i> , deletions in <del>strikethrough</del> )
COL 4 (revised), or in the alternative, see below	It is reasonable to set the cap at no more than <del>150</del> <i>115</i> percent above the 10-year average core procurement price for that month.
COL 4 (revised alternative)	It is reasonable to set the cap at no more than 150 percent above the 10-year average core procurement price for that month. <i>However, recovery of any resulting undercollection shall be subject to a formal Application process under Pub. Util. Code § 451 rather than by advice letter, and the Commission shall consider whether differential amortization schedules for small commercial customers are warranted to prevent acute cash-flow disruption.</i>
COL 7 (removed - if COL 4 (revised alternative) is adopted)	If the Commission adopts revised COL 4, above ( <i>i.e.</i> , adopts a requirement that excess fees are recovered via Application), then COL 7 would no longer be valid:  <del>It is reasonable to require PG&amp;E, SoCalGas, SDG&amp;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.</del>
FOF (new)	<i>During the start of winter 2022–2023, PG&amp;E Core Gas Supply held more than 90 percent of its contracted storage capacity and SoCalGas's core storage levels exceeded the five-year average immediately prior to the price spike, yet the price spike still occurred, indicating that existing total aggregate minimum pre-winter storage levels may not provide a sufficient buffer against extended high-demand or supply-constrained events.</i>
COL (new)	<i>It is reasonable for the Commission, in R.24-09-012, A.25-04-019, or a successor proceeding, to evaluate whether aggregate minimum pre-winter core storage inventory targets should be calibrated to withstand sustained high-demand winter scenarios rather than historical averages alone, and to direct the Energy Division to include an assessment of the adequacy of current storage requirements in the next biennial Aliso Canyon assessment.</i>

FOF (new)	<i>Delivering gas to foreign markets via LNG-exports could increase the risk of price shocks.</i>
COL (new)	<i>The Commission should evaluate, in the next relevant general rate case or other application, whether modifications to LNG and pipeline contract criteria are warranted to protect core customers from scarcity-driven price escalation that may result from increased LNG export demand.</i>
COL (new)	<i>This Decision's determination that an opt-out level payment plan is outside the scope of this proceeding and would mute conservation price signals does not foreclose consideration, in a successor proceeding to R.18-07-006 (affordability) or other proceedings, of whether opt-out level payment plans are appropriate for small commercial customers and other ratepayers whose gas demand is substantially inelastic to short-term price signals.</i>